FOREIGN AFFAIRS

RECEIVED
DEC 18 1978
U.S. INTERNATIONAL TRADE COMMISSION LIBRARY

SURPLUS - 3
LIBRARY OF CONGRESS
DUPLICATE

Winter 1978/79 *$3.00 a copy*

SALT II and American Security—*Jan M. Lodal*
The International Role of the Dollar—*Robert Triffin*
Oil Policy and OPEC Development Prospects—*Walter J. Levy*
The Trade Politics of Middle Eastern Industrialization
Louis Turner and James Bedore
Iran and the Crisis of '78—*James A. Bill*
Camp David—The Unfinished Business—*Abba Eban*
The End of Pan-Arabism—*Fouad Ajami*
Plutonium, Proliferation and the Price of Reprocessing
Victor Gilinsky
Flying Down to Rio: U.S.-Brazil Relations—*Albert Fishlow*

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

FOREIGN AFFAIRS

WINTER 1978/79

SALT II and American Security ..... *Jan M. Lodal* 245
The International Role and Fate of the Dollar ..... *Robert Triffin* 269
The Years that the Locust Hath Eaten: Oil Policy and OPEC Development Prospects ..... *Walter J. Levy* 287
The Trade Politics of Middle Eastern Industrialization *Louis Turner and James Bedore* 306
Iran and the Crisis of '78 ..... *James A. Bill* 323
Camp David—The Unfinished Business ..... *Abba Eban* 343
The End of Pan-Arabism ..... *Fouad Ajami* 355
Plutonium, Proliferation and the Price of Reprocessing *Victor Gilinsky* 374
Flying Down to Rio: Perspectives on U.S.-Brazil Relations *Albert Fishlow* 387
Comment and Correspondence 406
Recent Books on International Relations 412
Source Material ..... *Janet Rigney* 430

WILLIAM P. BUNDY
Editor

JAMES CHACE
Managing Editor

JENNIFER SEYMOUR WHITAKER
Associate Editor

LUCY EDWARDS DESPARD
Book Editor

DOROTHY HERBERT
Assistant to the Editor

DAVID IVES
Assistant Editor

MAE BENETT
Assistant to the Managing Editor

DORIS ELIZABETH FOREST
Publisher

GRACE DARLING GRIFFIN
Director, Advertising and Promotion

MERLE M. DALZIEL
Staff Assistant

SHEILA M. ROSENZWEIG
Staff Assistant

Editorial Advisory Board

A. DOAK BARNETT
JAMES H. BILLINGTON
HARVEY BROOKS
CARL KAYSEN
HENRY A. KISSINGER
JOHN J. MC CLOY
HARRY C. MCPHERSON, JR.
WILLIAM M. ROTH
FRITZ STERN

Vol. 57, No. 2, Copyright © 1978, Council on Foreign Relations, Inc. Printed in the U.S.A.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

EDITOR'S NOTE

We have earlier had occasion to mention in this space the problems of a quarterly magazine keeping pace with fast-changing and in many cases contingent developments of crucial importance. For some reason that might deserve separate analysis, this problem seems to become especially acute about two years into a new American Administration: the fall of 1962, the fall of 1970, and (in a slightly different presidential context) that of 1974, all saw combinations of new and erupting old crises, as well as emergent but still unfinished lines of negotiation or settlement.

So it has certainly been in the fall of 1978, with the Camp David summit, an accompanying major change in the perceived, as well as inwardly felt, competence and confidence of the Carter Administration, the apparently imminent conclusion of a SALT II agreement, a new stage in the ongoing crisis of the dollar and the closely related effort to create a European Monetary System, major political changes in Iran, and a steadily growing threat of serious armed conflict in southern Africa. Not all of these are addressed in this issue, in part because we expect in our new year-end issue, "America and the World," in February, to have somewhat greater perspective on, for example, the performance of the Administration and the events of 1978 in Africa.

But on those that the authors in this issue do address, we (and they) recognize the risk of implied assumptions as to the turn events may take even as readers pick up the issue. To hedge against all such risks could become a meaningless and trackless use of space. Rather, the articles on such subjects should seek, in our judgment, to provide perspective on key underlying factors, and as much forthright prescription as possible. We hope our readers will feel that the results have met this fairly stern test.

The articles in FOREIGN AFFAIRS *do not represent any consensus of beliefs. We do not expect that readers of the review will sympathize with all the sentiments they find there, for some of our writers will flatly disagree with others; but we hold that while keeping clear of mere vagaries* FOREIGN AFFAIRS *can do more to inform American public opinion by a broad hospitality to divergent ideas than it can by identifying itself with one school. It does not accept responsibility for the views expressed in any articles, signed or unsigned, which appear in its pages. What it does accept is the responsibility for giving them a chance to appear there.* The Editors.

Foreign Affairs is published five times annually by the Council on Foreign Relations, Inc., Editorial Office, 58 East 68th Street, New York, N.Y. 10021. The Editors will consider manuscripts submitted, but assume no responsibility regarding them. Cable address Foraffairs, New York. Payments and inquiries concerning subscriptions and reprints of articles should be sent to *Foreign Affairs,* 428 East Preston Street, Baltimore, MD 21202. Subscription price U.S. $15.00—Foreign $18.00 per year. Subscription air mail rates are available upon request.

Foreign Affairs is a member of The Leadership Network advertising group located at 230 Park Avenue, New York, N.Y. 10017. Telephone Robert F. Sennott, Jr., 682-4500, in Suite 321.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Jan M. Lodal

SALT II AND AMERICAN SECURITY

A new strategic arms limitation treaty between the United States and the Soviet Union (SALT II) is now essentially complete. As is always the case with a complicated negotiation, each side has conditioned acceptance of key provisions on the successful resolution of remaining open issues. Thus, it is always possible that the process will break down as each side plays out its end game. But at this stage, it seems extremely unlikely that the basic provisions of the agreement will change further.

The ensuing ratification debate will be one of the major foreign policy debates of the decade, and one of the most intellectually challenging. The complexities of nuclear strategy, weapons technology and our overall policy toward the Soviet Union all come together in SALT. Some will evaluate the treaty primarily from a political perspective, assessing its role in both domestic and international politics; others will focus on predominantly technical questions, such as the extent to which the treaty actually limits the nuclear deployments of the two sides. Yet SALT is much more than either a political exercise or arms control for its own sake. To be successful, SALT must improve our security by helping to stabilize the strategic balance between the United States and the Soviet Union. Evaluating strategic stability involves complex technical questions, and even among the experts there is no consensus on how to measure the strategic balance. But, in the end, no final judgment on the new treaty's worth can be rendered without considering the projected stability of the U.S.-U.S.S.R. strategic relationship during the next decade.

Other considerations, such as the success of our negotiators in obtaining Soviet agreement to our positions, our ability to verify Soviet compliance, and the agreement's effect on our allies are also important in assessing the worth of the new treaty. The following sections contain analyses of the new agreement according to each of these criteria, as well as an evaluation of its likely effect on the

---

Jan M. Lodal is Executive Vice President of American Management Systems, Inc. He was Director of Program Analysis for the National Security Council, 1973–75, and Director of the NATO and General Purpose Force Analysis Division in the Office of the Secretary of Defense, 1969-70.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

strategic balance between the Soviet Union and the United States. I believe these analyses demonstrate that those who examine the technical provisions of the new agreement carefully will find little to criticize. SALT II will undoubtedly stimulate intense debate, but in the end, this debate is likely to focus on the pros and cons of the SALT process itself, rather than those of this particular treaty.[1]

II

The negotiation of the SALT II treaty that is now nearing completion has been underway for four years—since President Ford and President Brezhnev agreed on the basic framework at Vladivostok in November 1974. Not surprisingly, a negotiation of this duration has resulted in significant changes and additions to the original agreement.

The new treaty's numerical limits provide an illuminating example of these changes. The key result of the Vladivostok negotiations was to limit both strategic nuclear delivery vehicles (the sum of land-based intercontinental-range ballistic missiles [ICBMs], submarine-launched ballistic missiles [SLBMs], long-range air-launched ballistic missiles, and heavy bombers) and MIRVed missiles (missiles equipped with multiple independently targetable reentry vehicles) to equal numbers for each side—2,400 delivery vehicles and 1,320 MIRVed missiles.[2] The Ford Administration received significant criticism of the 2,400 and 1,320 limitations, primarily that they were so high that they represented little real constraint on the programs of either side.[3] Secretary of State Kissinger continued to push the Soviets for lower numbers in subsequent negotiations, and by the time the Carter Administration took office, the Soviets had already agreed to reduce the overall

[1] For a reasonably current statement of the structure and key provisions of the new agreements, see Richard Burt, "The Scope and Limits of SALT," *Foreign Affairs*, July 1978, pp. 756–60.

As this article goes to press, apparently only two issues remain open whose final resolution could significantly affect an overall evaluation of the new agreement. One concerns a U.S. proposed ban on concealing test results through telemetry encryption, an issue on which the Soviets now seem to be retracting their apparent willingness to cooperate. The other concerns the Soviets' long-standing insistence that all cruise missiles, even if equipped with conventional warheads, be subject to the agreement's cruise missile provisions. The United States maintains that on aircraft other than heavy bombers only nuclear-armed cruise missiles are covered by the agreement, and that conventionally armed cruise missiles should not count if they can be distinguished from nuclear cruise missiles by externally observable characteristics.

[2] The term "missiles" is shorthand in this connection. Technically the number of missiles is not limited by the treaty. Rather, the treaty's limits apply to missile launchers.

[3] The 2,400 limit would require the Soviets to dismantle about 100 older systems, but it would still permit them to modernize their remaining systems, leading to a dramatic increase in their overall strategic nuclear capability. The 1,320 limit was above the existing deployment level of either side, permitting both to build up further. It was even above the projected 1985 U.S. program, which includes only 1,238 MIRVed missiles. Furthermore, the 1,320 limit, while below projected Soviet deployment levels, was not enough of a constraint on the Soviets' new generation of MIRVed land-based ICBMs to prevent them from eventually posing a serious threat to the U.S. land-based Minuteman ICBM force.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

ceiling to a number "below 2,300." They have now accepted a final limit of 2,250 rather than 2,400 on the total number of launchers, and also agreed to reduce the limit on MIRVed missiles from 1,320 to 1,200. A new sub-limit of 820 on land-based MIRVed missiles will also be set.

While these revised limits are not as low as some would like, they do have a significant effect on Soviet programs. The reduction in the overall ceiling to 2,250 will require the Soviets to dismantle an additional 150 older systems, although it will have no effect on U.S. force levels. The limit of 1,200 on MIRV launchers cuts somewhat into the U.S. plan to deploy 1,238 MIRVs by 1985, but it will almost certainly require a greater cutback in the Soviet MIRV program. The new sub-limit of 820 on land-based MIRVs is perhaps the most important of the revised ceilings; when combined with the limitation on reentry vehicles (warheads) discussed below, it sets an overall ceiling on the total number of Soviet land-based warheads. It also sets an important precedent for including special limitations on land-based MIRVs, the most potentially destabilizing components of the two sides' force structures.

One of the most contentious issues in the negotiations has been that of limits on cruise missiles. The two sides have disagreed on cruise missile limits since immediately after the Vladivostok negotiations.[4] The Soviets took the position that air-launched cruise missiles of a range greater than 600 kilometers should count within the 2,400 ceiling, and that testing and deployment of ground-launched and sea-launched cruise missiles with a range of over 600 kilometers should be banned. The U.S. position was that there should be no limits on cruise missiles.

In the agreement finally reached, air-launched cruise missiles on heavy bombers, which are especially important to the U.S. defense program, are permitted with no limit on their range. The only limits affecting these systems result from the inclusion of aircraft equipped with long-range cruise missiles within the various numerical ceilings specified by the treaty. Such aircraft will have to count as heavy bombers within the 2,250 overall ceiling on strategic nuclear launchers, as well as within a combined ceiling of 1,320 on MIRVed missiles and cruise missile-equipped aircraft. Furthermore, the average number of cruise missiles on the aircraft equipped to carry them is limited to approximately 30.[5]

[4] The words "cruise missile" were never mentioned in the Vladivostok negotiations. However, air-to-surface missiles were discussed, and the United States did agree to count ballistic air-to-surface missiles with a range greater than 600 kilometers in the 2,400 ceiling.

[5] The exact limit has not yet been agreed by both sides, but it will probably be in the range of 25-35.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

These limits have the overall effect of permitting the United States to deploy at least 3,000 long-range cruise missiles on strategic aircraft without having to make any offsetting reduction in other strategic forces.[6] Even more cruise missiles could be deployed by reducing the number of MIRVed missiles on a one-for-one basis as each cruise missile carrier is deployed, but it seems unlikely that the United States would desire to deploy more than 3,000 nuclear-armed cruise missiles, each with a 200–400 kiloton warhead, over the next seven years.

The situation with respect to long-range ground-launched and sea-launched cruise missiles is somewhat more complicated. The position of each side on this issue has changed several times in the course of the negotiations. No mention of these systems was made at Vladivostok, or in the subsequent aide mémoire. But as mentioned above, shortly thereafter the Soviets took the position that the deployment of ground-launched and sea-launched cruise missiles should be banned. During the 1975 Helsinki summit meeting between President Ford and President Brezhnev, the Soviets proposed to count only intercontinental-range (greater than 5,500 kilometers) ground-launched cruise missiles. The United States later decided that it preferred a 2,500-kilometer limit, at which point the Soviets returned to their demand for a 600-kilometer limit. Clearly, neither side has been sure even of its own position in these negotiations.

The final agreement includes no limits on these systems in the treaty itself, but a protocol to the treaty prohibits the deployment of all ground-launched and sea-launched cruise missiles with a range greater than 600 kilometers for three years. The United States has no capability to deploy such systems during the next three years, and there are no limits on testing cruise missiles, should we decide it is in our interest to continue developing them for later deployment. Thus, in a technical and legal sense, there is no effective limit on U.S. land-based or sea-based cruise missiles. Nevertheless, as I discuss subsequently, the protocol has significant political implications for both U.S.-European relations and the dynamics of the SALT III negotiations. It will undoubtedly receive considerable attention as the SALT II debate continues.

The major U.S. objective of limiting "qualitative" force improvements (improvements in the capabilities of individual delivery

[6] The 1,320 is 120 above the 1,200 limit on MIRVed missiles; thus, the first 120 cruise missile-equipped aircraft can be considered "free." Nor is the 2,250 ceiling a constraint, since no foreseeable U.S. program would reach that limit. Taken together, these provisions mean that if an average of 30 missiles are permitted on each of the 120 "free" cruise missile carriers, a total of 3,600 could be deployed without affecting any other U.S. strategic program.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

vehicles) has also been achieved. The Soviets agreed over three years ago to limit the throw-weight of individual missiles to that of the largest missiles now deployed in each class—about 7,000 pounds for "light" missiles and 15,000 pounds for "heavy" missiles. But, more importantly, limits have now been placed on new types of land-based missiles and on the number of warheads permitted on each MIRVed missile.

With respect to new land-based missiles, each side has agreed to limit its deployment of new ICBMs to one type over the term of the treaty. The agreement's definition of a "new type" of missile, however, will not necessarily require that either side stop developing all but one new generation of land-based missile, since new missiles do not have to count as a "new type" if they are substantially the same as the older generation they replace. For example, the Soviets' new "fifth generation" systems, which have not yet been fully tested, may in the end not be limited at all by this provision. But if the Soviets act as expected and use their allowance of one new ICBM type to develop a single warhead missile to replace their existing SS-11s, any "modernization" of their land-base MIRV force with a new "fifth generation" will result in replacing existing missiles with new missiles of very similar dimensions and propulsion characteristics.

The number of reentry vehicles (warheads) on each new type of MIRVed missile will be limited by the new agreement to something no greater than ten on ICBMs (the exact limits are not yet agreed) and to 14 on SLBMs. The number of warheads on each existing type of missile is frozen at its present level. These provisions solve a major military problem for U.S. force planners, making a "multiple aim point" (MAP) system—having more hardened shelters than there are missiles with the missiles clandestinely shuffled about among the shelters—at least theoretically feasible for the United States.[7] Without such a limit, proliferating the number of aim points (targets) that the Soviet Union would have to attack if it wished to destroy our land-based missile force could lead to no more than a continuing race between our deployment of additional aim points and the Soviets' deployment of additional warheads. But the treaty will restrain the number of Soviet counterforce warheads to a practical limit of about 9,000, setting this as the worst case situation for which U.S. force planners might have to prepare.

As these examples illustrate, on the whole the United States has

[7] The United States has agreed that deployment of such a system is prohibited for a three-year period by treaty protocol provisions covering land-mobile ICBMs, but has stated that it would be free to deploy a MAP system when the protocol expires.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

achieved almost every negotiating objective it set during the last year. This is also true with respect to its objectives in the important area of verification constraints, a subject which is discussed separately in the next section.

III

The Soviets have maintained from the beginning of the SALT process that the only provisions necessary to ensure adequate verification were those contained in the SALT I agreement: prohibitions on deliberate concealment and on interference with "national technical means" of verification. The United States, on the other hand, has argued that a variety of "counting rules" and "collateral constraints" are necessary to permit U.S. verification of Soviet compliance. The Soviets have strongly opposed such an approach, primarily because the U.S. proposals would require significant modifications in Soviet deployment programs, while requiring no changes at all in U.S. programs.

Nevertheless, the Soviets have now agreed to two important "counting rules" related to MIRVed missiles,[8] accepted in principle the important concept of "functionally related observable differences (FRODs),"[9] agreed to terminate their SS-16 mobile ICBM program for verification reasons, and accepted an important principle on the concealment of testing results relevant to verification. Furthermore, by dropping their demand for a 2,500 kilometer upper limit on the range of air-launched cruise missiles, they have eased the problem of verifying cruise-missile range limits.

[8] These two counting rules require first that any missile of a type ever tested with MIRVs must be counted as a MIRVed missile, and second, that any launcher of a type that has ever launched a MIRVed missile must count as a MIRV launcher. Additional rules require that if new launchers are to avoid being counted as MIRV launchers, they must differ from launchers that have been tested launching MIRVed missiles.

[9] This concept is an important example of the innovative solutions our negotiators have found to complicated verification problems. A long-standing issue in SALT has been how to distinguish between two aircraft of the same type when one is used as a heavy bomber and another is not. This is a problem for both sides in SALT; the United States would like to retain the option of using existing wide-body airframes for a new cruise missile carrier, and the Soviets' Bear and Bison aircraft are used not only as heavy bombers, but also as naval reconnaisance and tanker aircraft.

While the exact details of the treaty language are not yet worked out, the new agreement is likely to permit the use of bomber aircraft in multiple roles, but require that all such aircraft be counted as heavy bombers unless there are observable differences clearly related to the function of the aircraft between the bombers and the nonbombers. For example, the Soviets' Bison tankers have refueling probes, so that they are observably different from Bison bombers. However, some of these tankers also have bomb bays. Since the existence of a refueling probe is not "functionally related" to the ability to drop bombs, these aircraft will all have to count as heavy bombers, unless they are modified to eliminate the bomb bays. In an analogous fashion, the United States could use an existing wide-body aircraft type for its new cruise missile carrier without having to count all aircraft of that type as heavy bombers, since existing transport aircraft would not contain the bomb bays or external mounting racks necessary to carry cruise missiles.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

The agreement concerning the SS-16 land-based mobile ICBM provides a useful illustration of the extent to which the Soviets have been willing to accept provisions designed to facilitate verification, as well as the thoroughness with which the provisions of the treaty have been worked out. The issue arises because of the similarity of the SS-16 to the SS-20, a mobile intermediate-range ballistic missile (IRBM) capable of hitting targets in China and Europe, but not the United States. The SS-20 is apparently only a shortened version of the SS-16—the two missile stages of the SS-20 are identical to the first two stages of the three-stage SS-16. Furthermore, the mobile launchers for the two systems are almost identical.

This situation led the United States to worry that an SS-16 ICBM deployment could not be distinguished from an SS-20 IRBM deployment by satellite verification methods. The SS-16 missile is considerably less capable than the other new Soviet missiles (SS-17s, SS-18s, and SS-19s); nonetheless, such a clandestine deployment would give the Soviets a certain advantage. In any event, the uncertainty about the size of the Soviet program would lead to continuing arguments about Soviet compliance with the treaty.

It has been reported that the Soviets have agreed to ban the deployment of the SS-16 as a mobile missile for the duration of the treaty, a provision that apparently eliminates the problem of distinguishing between the two systems. But if this were the extent of the treaty's handling of this problem, the provision would still be susceptible to criticism. The Soviets could continue testing and producing the SS-16 missile without deploying it in a mobile mode, and the launchers for the missile could be produced and deployed under the guise of the SS-20. Such a state of affairs would leave the Soviets only a few weeks away from being able to deploy an operational SS-16 ICBM system.

The final agreement, however, provides stronger assurance that the United States can verify compliance with this aspect of the treaty. The Soviets have now agreed to ban *all* deployment of the SS-16, whether in a mobile mode or at fixed sites. They have further agreed to ban the production of all missile components that are unique to the SS-16 ICBM version and to cease testing the SS-16. These provisions eliminate the possibility of developing a capability to deploy rapidly the SS-16 should the treaty be abrogated.

While the new agreement is by and large extremely comprehensive in its verification provisions, one notable absence is a rigorous definition of a missile launcher. In order to eliminate any possible

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

ambiguity about the meaning of other provisions, such a definition should be agreed upon by the two sides. However, the United States has resisted the inclusion of such a definition, apparently because it would be difficult to write one that drew any distinction between the unMIRVed Minuteman II missile silos and the MIRVed Minuteman III silos, and because such a definition might stand in the way of an American multiple aim point ICBM-basing system.

The Minuteman II and Minuteman III silos are so similar that almost any conceivable definition would result in their both being classified as a single-launcher type. Since we have pressed for and gotten Soviet agreement to a "counting rule" requiring that any launcher of a type that has ever launched a MIRVed missile be counted as containing a MIRVed missile, a launcher definition that did not distinguish between Minuteman II and Minuteman III silos would require that we count all 450 single-warhead Minuteman II missiles within the treaty's ceilings on MIRV launchers—an unacceptable result.

The lack of a precise definition of a launcher is also important to protect America's option to deploy a multiple aim point system. As described earlier, such a system relies on the deployment of a greater number of hardened shelters than missiles, with the missiles being moved clandestinely from one shelter to another. If the "shelters" were actually additional missile silos, an approach now favored by the Air Force, and if the silos themselves were counted as "launchers," they would be prohibited under provisions carried over from SALT I banning new land-based ICBM launchers. But in the U.S. interpretation, the new agreement does not ban a multiple aim point system, because the transportable capsule containing the missile is considered the launcher, rather than the silo itself.

This is one of several examples in the new agreement where the United States has sacrificed its principles in order to avoid a constraint on its programs. In this particular case, the Soviets do not appear concerned about their ability to verify U.S. MIRV deployments; thus, they have been willing to "look the other way." One can only hope that in the end the Soviets do not attempt to take advantage of the agreement's ambiguous definition of a launcher, leading us to wish we had insisted upon a more explicit resolution of the problem.

Obtaining Soviet agreement on these verification provisions involved considerably more than convincing them to accept a set of abstract principles. The verification provisions of the new treaty

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

will actually constrain Soviet programs. The SS-16 mobile ICBM, which was fully tested and ready for deployment, will have to be abandoned altogether. The fully tested single-warhead versions of the SS-17 and SS-18 missiles, some of which may have already been deployed, will either have to be counted as MIRVed missiles or abandoned. Finally, the Soviets probably have 120 unMIRVed missiles now deployed in modernized silos that will have to count as MIRVed missiles unless they are moved to other silos, since the silos they are now in are the same as those used to launch the MIRVed SS-19.

On balance, the new agreement embodies a sensible approach to verification. It implicitly acknowledges that any verification requires cooperation of the two sides, not only in general measures such as noninterference and nonconcealment, but in specific instances as well. By including specific verification provisions, our job is made easier; in many cases, we must verify only that the cooperative procedures are being complied with, rather than verifying compliance with the treaty directly. Finally, the treaty embodies an important shift in the emphasis of the SALT process, with relatively more weight being given to what it is we wish to limit as opposed to what limits we could most easily verify. Only a few years ago, there was almost unanimous agreement among experts that once MIRVs had been fully tested, limits on MIRVed missiles could not be verified. But such limits are one of the most important results of the SALT II agreement. It is gratifying that we sought and achieved limits on MIRVs, albeit modest ones, despite the difficulties in verification which required working out explicit "counting rules."

IV

As discussed earlier, one cannot adequately evaluate the new treaty without considering its effect on the strategic balance between the United States and the U.S.S.R. The simplest measures of the strategic balance are "static" indicators of force quantities, such as numbers of launchers, numbers of weapons, megatonnage, "equivalent" megatonnage, throw-weight, and so forth.[10] Projections are that the Soviets will lead the United States by 1980 in most of these static indicators, although the United States will retain a significant lead in the total number of weapons deployed.

The weaknesses inherent in attempting to measure the strategic

[10] Equivalent megatonnage is a measure of blast damage against soft-area targets, and throw-weight is roughly the weight of warheads and MIRV-related devices carried out of the atmosphere by the missile.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

balance using static indicators are well known. These indicators do not account for some of the most important characteristics of our forces, such as their survivability against a Soviet attack. It is for exactly this reason that U.S. force planners have consistently chosen not to attempt to match the Soviets in such measures, but rather to emphasize more important force characteristics. Nevertheless, it is worth pointing out that under the terms of the agreement, the United States could essentially match the Soviet Union in each of the commonly used static indicators of force capability, should it choose to do so. The one unequal limit in the new agreement is the freeze on "heavy" land-based missiles carried over from SALT I. Under this provision, the United States is prohibited from deploying heavy missiles, while the Soviet Union may keep the 300 it now has. Thus, the Soviets could, in theory, deploy four to five million pounds more land-based missile throw-weight than could this country, although the United States could offset this somewhat with additional throw-weight in its submarine-launched ballistic missiles or payload in its bombers. But, in practice, the United States has no interest in heavy missiles, so this apparent asymmetry is of little importance.

A more sophisticated approach to assessing the strategic balance is to examine the results of simulated force exchanges between the two countries. The United States has accepted for many years the notion that the most important criterion for assessing the adequacy of its strategic forces is that enough forces be able to withstand a Soviet surprise attack to destroy Soviet society and industry in retaliation. There is little argument about either the present or projected capability of U.S. forces to carry out this mission, with or without SALT II.[11] But there are serious arguments about whether such an "assured destruction" scenario is the proper one for measuring the deterrent capacity of our forces, and whether our forces will remain adequate when their capability is assessed under more complex scenarios.

Until the Soviets began deploying MIRVs on their land-based missiles in 1973, the United States maintained an overwhelming superiority in its strategic forces. Furthermore, the SALT I treaty

[11] Some have argued that Soviet civil defense measures could reduce civilian casualties in such an attack to under ten million. I find such arguments implausible, but will not repeat the debate here. See *United States/Soviet Strategic Options*, Hearings before the Committee on Foreign Relations, U.S. Senate, 95th Cong., 1st Sess., January 16, January 19, and March 16, 1977, Washington: GPO, 1977, for a discussion of both sides of the issue, and *Soviet Civil Defense*, Director of Central Intelligence, July 1978, for the CIA's view. I should point out, however, that if Soviet civil defense is a significant worry, the redeployment of a relatively small number of stockpiled large megatonnage bombs on our alert bomber force could dramatically increase the radioactive fallout associated with a U.S. retaliatory attack, substantially offsetting the Soviet civil defense program.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

prohibiting antiballistic missile systems (ABMs) meant that U.S. ballistic missiles could attack the Soviet Union in a retaliatory strike without facing the uncertainties associated with having to penetrate enemy defenses. Under such circumstances, there was little reason to use complex force exchange scenarios in assessing the deterrent capacity of the U.S. force.

The advent of large, accurate MIRVs on Soviet missiles changed this situation. The extensive Soviet MIRV deployment program, coming on the heels of SALT I and the beginning of what was supposed to be a period of détente, and occurring simultaneously with Soviet initiatives in Vietnam, the Middle East and Africa, has led to a widespread questioning of Soviet motives. I have argued elsewhere that the Soviets had good military reasons for deploying large throw-weight land-based MIRVed missiles; one does not have to attribute to them a motive of attempting to achieve strategic superiority over the United States to explain these deployments.[12] But the new Soviet MIRVs do create real military problems for the United States: for the first time, the Soviets appear headed for a capability to attack a major component of the U.S. deterrent force—our land-based ICBMs.

It is important to emphasize that most military planners are concerned only secondarily with what might happen once a nuclear war began. The level of destruction of any nuclear war would be so overwhelming that the primary focus must of necessity be on our ability to deter the start of any war. Thus, the concern is not so much that the Soviets might actually attempt a surprise attack against our Minuteman force, although military planners obviously must consider such an eventuality. Rather, the issue is the ability of our strategic nuclear forces to serve as a "nuclear umbrella" in a crisis, given the Soviets' newfound capability to attack our land-based ICBMs.

In the mid-1980s, the Soviets will be able theoretically to destroy virtually all of our land-based ICBM force in a surprise attack. This would leave us with only our submarine-launched ballistic missile force, our strategic bomber force (equipped with air-launched cruise missiles), and our theater nuclear forces deployed overseas and on aircraft carriers. Some of these forces are also susceptible to attack, since not all U.S. bombers are on alert at any one time, some submarines are in port, and many of our theater nuclear forces are vulnerable. Nevertheless, even in the worst case, 5,000 to 6,000 nuclear weapons on alert bombers and submarines

[12] Jan M. Lodal, "Assuring Strategic Stability: An Alternative View," *Foreign Affairs*, April 1976, p. 467.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

at sea would survive a surprise attack.

This force is more than enough to destroy all major Soviet cities and Soviet industry. But defense planners argue, with good reason, that in such a situation, no President of the United States would want to be faced with only the options of doing nothing or launching an all-out attack on Soviet cities—an attack that would almost certainly lead to a Soviet counterstrike against U.S. cities, presumably left largely undamaged by the Soviets' earlier strike against our land-based ICBMs.[13] Many argue that in such circumstances, the United States would be deterred from retaliating by the Soviets' retention of a large residual "assured destruction" force after attacking our Minuteman force.

I find two weaknesses in this line of thought. First, in the mid-1980s the United States will have the capability to respond to a Soviet counterforce attack with a counterforce response of its own. The United States will have 2,000 to 3,000 highly accurate cruise missiles deployed on its alert bombers, each having a 50–80 percent probability of destroying any hardened target against which it is launched. These weapons could be used in a counterforce retaliation while still leaving the alert U.S. SLBM force, with 3,000 weapons, as an "assured destruction" reserve.

Cruise missiles do have two deficiencies when used in a counterforce attack. First, they require many hours to reach their targets, making them less flexible than ICBMs, which have more "prompt" effects. Second, the Soviets could easily destroy most U.S. airfields in an initial strike, which would require a U.S. President to use his cruise missiles immediately after a full-scale Soviet attack while they remain airborne, or risk their loss. But these deficiencies are relatively minor. If the Soviets' initial attack against our Minutemen were less than all-out, surviving land-based missiles would be available for selective counterforce attacks. We would find ourselves without surviving land-based missiles, and thus without the capability to launch "prompt" counterforce attacks, only after a very large Soviet attack—a circumstance under which no U.S. President should have any hesitance about launching an all-out cruise missile counterforce retaliatory attack.

The second fallacy in using a Soviet first-strike "war-fighting" scenario to evaluate the U.S. deterrent stems from a failure to

[13] There are serious questions about the Soviets' ability to carry out an effective counterforce strike without killing significant numbers of Americans—a key assumption behind the argument that a nuclear exchange could be limited to military targets. See *Analyses of the Threat of Limited Nuclear Warfare*, Congressional Office of Technology Assessment, September 1975, and *Effects of Limited Nuclear Warfare*, Hearings before the Subcommittee on Arms Control, International Organizations and Security Agreements, Committee on Foreign Relations, U.S. Senate, 94th Cong., 1st Sess., September 18, 1975, Washington: GPO, 1975.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

consider the situation a Soviet leader would face should he consider using his counterforce threat to extract U.S. concessions. While there are uncertainties both in force exchange calculation and in force projections for 1985, the Soviets will in all likelihood face a significantly greater potential loss from a U.S. preemptive strike than the United States would face from a Soviet preemptive strike. This stems directly from the Soviets' decision to place the majority of their forces in land-based silos, which will be vulnerable to attack in the mid-1980s. The United States has long recognized this problem and has put relatively less emphasis on its land-based missile force. By this time, the U.S. land-based missile force will be able to destroy 80 to 90 percent of the Soviet land-based MIRVed missile force in a preemptive strike, even if no new land-based missile is deployed. If the new MX missile (a land-based missile that would carry six to ten weapons, each of one to two megatons yield) is deployed, the United States could destroy virtually all Soviet land-based missiles, MIRVed and single warhead, in such a strike. Soviet submarines in port and Soviet bomber bases could also be destroyed. Thus, the Soviets could well face a situation where they had lost the mainstay of their force, their MIRVed land-based missiles, while the United States retained 7,000–9,000 weapons on its submarines and bombers. If one believes that the prospect of retaining an inadequate residual reserve force after absorbing a first strike would deter American Presidents from acting firmly in confrontations with the Soviet Union, a Soviet leader should be even more deterred from initiating a confrontation since he would face an even less favorable situation.

Although the Soviet deployment of a counterforce capability against our Minuteman missiles does not leave the United States at a relative disadvantage, it does give a more significant military advantage to the side striking first than has been the case previously, reducing the inherent stability of the nuclear balance. A preemptive strike by either side would risk an immediate retaliation that could destroy most of the attacker's society, so war is still an unlikely event. Nevertheless, in an extreme crisis, such as that which might grow out of a gradual escalation of hostilities in Europe or the Middle East, the world would be safer if neither side felt it could achieve any significant advantage by launching a preemptive strike.

The preferable solution to this problem would be to obtain Soviet agreement in SALT III to reduce fixed-point land-based missile deployments. To date, the Soviets have rejected U.S. proposals for such reductions, although past U.S. proposals have tended to be somewhat one-sided in their relatively greater effect

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

on Soviet programs. The Soviets have already accepted separate limits on land-based MIRVed missiles in SALT II, and they have agreed to principles for SALT III calling for reductions and increasing mutual confidence in the stability of the nuclear balance. Thus, it is not inconceivable that they would negotiate a balanced proposal for ICBM reductions.

But unless the Soviets agree early in SALT III to significant reductions in land-based ICBMs, the strategic balance in the mid-1980s is likely to be determined to a much greater extent by the force deployment programs of the two sides than it is by the provisions of arms control agreements. Thus, it is important that the United States retain the flexibility it needs to undertake programs that will maintain this balance. Perhaps the most extensive program suggested to date has been that outlined by the Committee on the Present Danger, a citizens' group organized to support a stronger U.S. response to the Soviet military buildup. Stating their position that "in the short run, it is unlikely that a comprehensive SALT agreement can be negotiated," the Committee has recommended an eight-point program for restoring "both real and perceived strategic adequacy for the 1980s":

1. Urgent attention to the survivability and endurance of our information, communications, and command and control systems;
2. Rapid deployment of an alternate basing mode for our ICBMs;
3. Development of a more capable follow-on missile to replace our Minuteman IIIs;
4. Procurement of a high quality strategic bomber and cruise missile-tanker system with high pre-launch survivability and penetrability;
5. Acceleration of the TRIDENT I SLBM deployment program, TRIDENT II development, and, if possible, TRIDENT submarine construction, and renewed study and development of a smaller SLBM submarine;
6. Rehabilitation of the air defense program with AWACS, F-14/ Phoenix, and new surface-to-air missiles;
7. Reexamination of the token U. S. civil defense program;
8. Reinvigoration of ABM research and development programs.[14]

One may or may not agree with the wisdom of the particular measures suggested by the Committee. But in assessing the effect of SALT II on the strategic balance, it is important to note that the new agreement does not prohibit the United States from carrying out any of these recommendations; all eight could be fully implemented under the terms of the agreement. As much as one might believe that the United States needs a larger strategic nuclear

[14] *Is America Becoming Number 2? Current Trends in the U.S.-Soviet Military Balance*, Washington, D.C.: Committee on the Present Danger, October 5, 1978.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

defense program, one cannot argue that SALT II will stand in the way of even extensive force enhancement programs such as this one.

V

SALT II has already stimulated considerable debate within the NATO alliance. The U.S. allies clearly see a stronger relationship between their security interests and the terms of the emerging agreement than was the case with SALT I. During SALT I, the allies' primary concern was to ensure that existing nuclear cooperation and technology transfer programs would not be jeopardized. The inclusion in SALT II of only very general "noncircumvention" provisions seems to ensure that the new agreement will pose no problems in this regard, especially since the United States explicitly rejected the more restrictive language constraining transfers of weapons technology proposed by the Soviets.

But since SALT I, the Soviets have deployed longer range tactical aircraft capable of launching nuclear attacks in Europe, the new SS-20 mobile intermediate-range ballistic missile with MIRVs, and the Backfire aircraft—an aircraft somewhat more capable than the F-111, our largest aircraft in Europe. At the same time that these deployments have occurred, the Soviets have moved to overall parity with the United States in intercontinental nuclear forces, reducing the Europeans' confidence in the capability of the U.S. "strategic nuclear umbrella" to deter Soviet attacks on them. These two events have stimulated considerable anxiety in Europe, particularly in the Federal Republic of Germany.

The difficulties associated with attempting to accommodate in arms control negotiations the "gray area" systems, such as U.S. forward-based systems and Soviet intermediate-range ballistic missiles and medium bombers, have been analyzed extensively elsewhere.[15] My objective here is not to repeat this analysis, but rather simply to suggest that the problem of providing an adequate nuclear defense for Europe goes well beyond any difficulties the Europeans might have with the specific limits included in SALT II. This is not to claim that SALT II has no effect on Europe. The treaty does not include limits on systems such as the Backfire and the SS-20 IRBM, while it does limit U.S. SLBMs, some of which are specifically dedicated to the defense of Europe and intended to offset these Soviet systems. The three-year protocol to the treaty also limits cruise missiles, which might be used to enhance NATO's

[15] Lothar Ruehl, "The Grey Area Problem," in Christoph Bertram, ed., *Beyond SALT II*, Adelphi Paper No. 141, London: International Institute for Strategic Studies, Spring 1978, pp. 25–34.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

"Euro-strategic" nuclear balance. The Europeans correctly perceive a Soviet effort through SALT to limit weapons systems seen as Europe's main hope for offsetting any advantage the Soviets might obtain through their recent SS-20 and Backfire deployments, without the Soviets accepting any limits on their own deployments; the United States must be sensitive to this legitimate European concern.

To a large extent, the United States has brought about the Europeans' present state of anxiety with respect to SALT II. The United States has certainly not spoken with a single voice in its consultation with the Europeans on SALT II and theater nuclear programs. U.S. officials responsible for the SALT negotiations have tended to downplay the significance of land-based and sea-based long-range cruise missiles, while at the same time Pentagon officials have extolled the virtues of cruise missiles to their European counterparts. The fact is that ground-launched and sea-launched cruise missiles have significant weaknesses as nuclear weapons for use in the European theater. While the cruise missiles themselves are relatively inexpensive, the total systems, including the sea-based platforms to carry them and the ground-based launchers and associated systems, are not likely to be significantly less expensive than alternative nuclear systems. Furthermore, no reliable concepts have been developed for solving the pre-launch vulnerability problem of ground-launched cruise missiles. Hardened fixed sites will be vulnerable to Soviet attack, but serious problems exist in attempting to deploy long-range mobile nuclear systems in densely populated Western Europe. Moving nuclear-armed missiles throughout the West German countryside in peacetime is unthinkable, yet stationing them in *kasernes* renders them vulnerable to surprise attack. Deployments on surface ships face similar vulnerability problems, and deployments on submarines would divert valuable antisubmarine warfare systems to a less useful military mission.

All apart from the relative worth of cruise missiles as "Euro-strategic" nuclear weapons, the basic strategic dilemma associated with providing an independent European force to counter the Soviet theater-oriented forces remains much the same as it has been for the last 20 years. As long as the U.S. President controls the release of the bulk of NATO's strategic nuclear weapons, their use would immediately involve the United States in a strategic exchange with the Soviet Union, with all of the implications, both positive and negative, which that linkage involves. As the French have long realized, for a European deterrent to be truly indepen-

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

dent, the Europeans must have complete control of it. Yet no one suspects that West Germany either desires to have or should have its own independent nuclear force, and many Europeans doubt the inherent wisdom of "decoupling" from the U.S. strategic deterrent in any event.

In my view, a threefold set of actions on the part of the United States is necessary to overcome our allies' anxiety created by the growing Soviet Euro-strategic capabilities, the fading of the boundary in SALT between intercontinental and theater forces, and continuing concern over "decoupling." First, the United States must play a more assertive and consistent leadership role in alliance nuclear affairs and demonstrate increased sensitivity to legitimate European defense needs. The enhanced radiation warhead (neutron bomb) affair provides an excellent example of how these almost trite principles seem to have been overlooked in recent months. The United States put the issue to the German government for decision in such a way that it was inevitably propelled into a public debate. The German government was required to choose between rejecting a weapon it thought might be important to Germany's defense (although they would have to look to the United States for a more thorough technical judgment in this respect), or accepting the domestic political consequences of pushing for a new weapon that had come to have particularly distasteful moral implications in the public mind. The German political system, especially while the Social Democratic Party is in power, simply could not be expected to generate a rational policy under such circumstances.

Second, our European allies must more thoroughly accept, nearly 20 years after it was first put forth, the proposition that the "nuclear umbrella" can only go so far in providing adequate security for Europe. The best way to enhance European security is to improve Europe's own conventional defense capability, and any available additional European defense resources should be allocated principally to this task.

Finally, the United States must make clear to the Soviets that large-scale SS-20 and Backfire deployments will be met by comparable U.S. programs—either cruise missiles, extended-range Pershing deployments, or additional nuclear-capable aircraft—unless the Soviets agree to reasonable limits on their "Euro-strategic" forces, or demonstrate unilateral restraint. While one might allow that too many exclusively European-based American nuclear forces could lead to an undesirable "decoupling" of the U.S. strategic deterrent, it seems clear that too extreme an imbal-

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

ance in the other direction would also have a similar "decoupling" effect. An overwhelming local nuclear superiority might well tempt the Soviets in a confrontation to assume that their intercontinental forces could deter U.S. intercontinental forces, leading them to push for concessions in Europe. Thus, it is absolutely unrealistic for the Soviets to expect the United States to accept SALT III limits on systems useful primarily in the European theater without restraints being placed on comparable Soviet systems.

If the United States adopts a firm position on these issues in SALT III, there should be little need for complicated new forums for negotiating "gray area" systems. As I discuss in the concluding section, the Soviets are likely to agree to negotiate on Euro-strategic forces in SALT III as the three-year protocol limiting deployment of long-range ground-based and sea-based cruise missiles nears expiration. If U.S. programs make it clear to the Soviets that this country fully intends to deploy new systems designed to redress the imbalance in Euro-strategic forces created by Backfire and SS-20 deployments, the Soviets should be willing to negotiate reasonable limits on these systems.

VI

The new SALT agreement is, in many respects, more than the sum of its individual provisions. It differs significantly from its predecessors in both its form and in its basic approach, and it sets important precedents for the future.

It is important to review the history of SALT in order to compare the two approaches. SALT I consisted of two parts: a permanent treaty banning antiballistic missile systems (ABMs), and a five-year interim agreement freezing deployment levels of strategic missiles. The ABM treaty has caused very little controversy and remains the preeminent achievement of SALT to date. Without ABMs, it is virtually impossible for either side to eliminate the retaliatory deterrent force of the other side. We have the luxury to debate issues such as the importance of emerging Minuteman vulnerability only because the ABM treaty exists. If both sides had proceeded with antiballistic missile programs, the stability of our deterrent would be dramatically reduced, and the size of the deployment program needed to maintain our deterrent correspondingly increased.

The criticisms of SALT I focused on the offensive forces agreement. Even during the negotiating process, there was considerable controversy concerning whether or not any attempt at all

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

should be made to negotiate offensive limits. In the end, it was the United States that insisted upon the linkage between the offensive agreement and the ABM treaty.[16] The Nixon Administration argued that achieving any offensive forces agreement was a major accomplishment since the Soviets were deploying new missiles at a rapid rate, while the United States had no new deployments underway. Thus, it was argued that the interim offensive agreement stopped the Soviet deployment program, while having no effect on U.S. programs.

Nevertheless, the critics, led by Senator Henry Jackson, focused on the offensive agreement, particularly on the fact that the ban on additional launchers left missile launchers frozen at unequal levels for the two sides—approximately 2,400 for the Soviet Union, versus 1,700 for the United States. Later, further controversy arose on two grounds. First, the terms of the agreement itself proved subject to differing interpretations. Terms such as "light missile" and "deliberate concealment" were interpreted quite differently by the United States and the Soviet Union. Second, it quickly became apparent that limiting deployments of new missile launchers had very little effect on the offensive arms race between the two countries. Both sides continued modernizing their forces, with the Soviets pursuing an aggressive program of replacing older single-warhead missiles with larger more capable MIRVed ICBM's.

Since SALT I, there has been considerable debate concerning the best way to proceed with offensive force limitations. Some have argued that the focus on quantitative limits is not itself a problem, but that the limits imposed so far are simply too high to have any effect. Others have argued that massive reductions are not in the cards and perhaps not even desirable, and that only a direct assault on advancing technology through limits on qualitative force characteristics can be of any real arms control use. Finally, some have argued that the greatest utility of SALT is likely to come from ruling out destabilizing missions, such as hard target counterforce,[17] or, at a minimum, focusing on measures that will enhance strategic stability, such as limiting the numbers of land-based MIRVs—the weapons that could most easily be used to attack the land-based ICBMs of the other side.

The new treaty at least takes steps toward meeting almost all of

[16] John Newhouse, *Cold Dawn: The Story of SALT*, New York: Holt, Rinehart & Winston, 1973, pp. 195–207.

[17] Christoph Bertram, "Arms Control and Technological Change: Elements of a New Approach," Adelphi Paper No. 146, London: The International Institute for Strategic Studies, Summer 1978.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

these earlier objections. The numerical limits are equal for both sides, which meets Senator Jackson's main criticism of SALT I. The final numerical limits have been reduced from those agreed at Vladivostok and represent a real constraint on future Soviet programs, even requiring that the Soviets dismantle over 250 older systems. Even though the numerical limits themselves still leave room for increases in the capabilities of each side through qualitative improvements, they do eliminate the "worst case" projections of future force levels which would otherwise be considered by force planners in each country. Finally, the new agreement does represent an evolution of SALT in the direction the United States has long argued that SALT must go if it is to continue to play a significant role in stabilizing the nuclear balance. There are modest but significant qualitative limits in the treaty, through the ban on more than one new type of ICBM and the ceilings on the number of weapons each missile or bomber can carry. Furthermore, the various limits on land-based ICBMs, as well as the continuation of the ABM treaty, demonstrate at least an implicit acceptance of the basic U.S. strategic view that insuring the survival of secure second-strike retaliatory forces even after a first strike should be SALT's major military contribution.

The new SALT treaty also demonstrates an implicit understanding and acknowledgment of the limits of arms control agreements. Strategic arms agreements will not eliminate nuclear weapons, or even eliminate the military problems faced by the United States in maintaining its deterrent capability against the Soviet Union. The best we can hope for is that they will moderate the competition, reduce the level of hostility, and clarify the intentions of each side. In the long run, it can be hoped that such agreements will set firm limits on the total nuclear capabilities of each side, effectively stopping the arms race. But they cannot, as was attempted by the Administration's March 1977 "comprehensive" proposal, redress what we perceive to be Soviet advantages in the strategic balance—at least not without our offering major concessions in terms of our deployment programs.

Admittedly, this means that the United States faces something of a dilemma. On the one hand, neither our political system nor our objective of rational defense planning is likely to permit us to undertake major force deployments strictly for the purpose of developing SALT "bargaining chips." Yet without programs to trade, we cannot expect the Soviets to make major unilateral concessions, simply because we have chosen unilaterally to forego certain programs on our own.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Perhaps the solution to this problem is inherent in another new direction set by this treaty when compared to SALT I. By including a set of principles for governing SALT III, the new agreement establishes SALT as an ongoing process, rather than as an individual treaty required to stand by itself. Since many of the limitations accepted by the Soviet Union in the negotiation of SALT II represent at least implicit acceptance of arms control principles the United States has always put forward (adequate verification, emphasis on protecting the deterrent forces of the two sides, rigorous definitions, mutual exchange of data, and true limits on overall force capabilities), there remains substantial hope that SALT III will be able to constrain new programs before they are so far underway that the vested interests and bureaucracies on each side make it impossible to curb them.

VII

Much of the criticism of SALT II has focused either on the specific provisions of the Vladivostok accord on which the agreement is based, or on the deficiencies of the treaty when compared to the more ambitious "comprehensive" approach set forth by the Administration in March 1977. But if one puts aside preconceptions based on these earlier efforts and examines the treaty which has actually been negotiated, it is difficult to see how it can be opposed on its technical merits. The treaty embodies a substantial amount of "true arms control," in that it requires actual dismantling of some Soviet systems, cuts off certain areas of possible new competition, and eliminates the "worst case" force projections which have tended to drive the deployment programs of each side. At the same time, the new agreement does not stand in the way of necessary defense programs. It permits the United States to carry on with any necessary modernization of its strategic triad, whether it be a new bomber or cruise missile carrier, a multiple-aim-point system of ICBM launchers, a new land-based missile, or new types of submarine-launched ballistic missiles. The treaty language is extremely carefully drafted, so that subsequent misunderstandings between the two sides should be small in number, especially when compared to those which occurred in SALT I, and the Soviets have accepted the special verification "counting rules" sought by the United States. The treaty should provide a framework within which the United States can develop a stable strategic program to respond to recent Soviet deployments, knowing that major surprises in the Soviet program are unlikely to occur. This should permit setting aside the present diversionary debate over strategic

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

forces and moving on to focus our defense planning on correcting more serious weaknesses in conventional forces.

Given these technical characteristics of the new agreement, the debate over treaty ratification is likely to focus on predominantly political questions. There is a legitimate issue about whether or not the United States should enter into any additional agreements with the Soviet Union as long as the Soviets continue with their worldwide military buildup and expansionist policies. There will also be a political debate about the relationship between the new agreement and the defense budget, with some arguing that the treaty is unacceptable without a significant increase in the defense budget, including approval of major new strategic nuclear programs, and others cautioning against linking treaty approval to increased defense spending, lest we mortgage our ability to proceed with further arms control measures. Finally, there will be considerable debate about the treaty's three-year protocol.

The protocol will cause particular concern because it limits weapons systems which could potentially be of vital importance to the United States in overcoming what are perhaps the two most significant strategic nuclear problems the nation will face in the 1980s. The protocol limits the testing and deployment of mobile land-based ICBMs (such as the multiple-aim-point system discussed earlier), systems whose main purpose would be to eliminate the emerging vulnerability of our Minuteman ICBMs. The protocol also limits ground-launched and sea-launched cruise missiles, systems proposed primarily to counter the growing imbalance in Euro-strategic forces brought about by Soviet deployments of new systems such as the Backfire and the SS-20. Given the potential importance that mobile ICBMs and cruise missiles could have for the U.S. defense program, any agreement placing limits on these systems would be controversial. The fact that the protocol contains no reciprocal limits on Soviet systems, such as the SS-20 or the Backfire, makes it even more controversial.[18]

As I have pointed out earlier, the protocol will expire before the United States could conceivably deploy any of the systems limited by it, so that in a technical sense, it represents no real constraint on U.S. programs. But it is always difficult politically for the United States to end a deployment moratorium, since the American public never wishes to support what might be seen as unnecessary military competition. Moreover, the protocol does set a precedent for U.S. acceptance of continuing limits on cruise missiles and mobile land-based ICBMs in SALT III.

[18] See Burt, *loc. cit.*, pp. 751–770, for an eloquent and thorough discussion of the protocol issue.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

My own view is that in the absence of a serious SALT III negotiation, political pressures will not inevitably require the United States to continue with the protocol limits. But the Soviets are unlikely to turn down a serious SALT III negotiation, or even to reject a negotiation that includes the important questions of the Euro-strategic balance and Minuteman vulnerability. Initially, they will resist U.S. demands in these areas. But as the expiration of the protocol nears, they will offer enough tangible concessions to induce the United States to extend the protocol's moratoria as the negotiations continue. For the United States, there would be great benefit in obtaining a negotiated solution to the problems of Minuteman vulnerability and Euro-strategic balance, since the deployment of cruise missiles in Europe or a mobile ICBM in the United States are not attractive options from a technical standpoint. Thus, if the protocol serves to engage the Soviets in a serious negotiation on these issues, it will have served a useful purpose. One can only hope that the United States will remain firm in its insistence that the Soviets agree to serious and balanced provisions in both areas, rather than continuing the protocol limits indefinitely while the Soviets continue to threaten both our land-based ICBMs and our European allies.

Most of the political issues raised by SALT II, including the protocol limitations, relate to a more fundamental concern that the United States has lost its will to maintain adequate defenses in the face of Soviet expansion. The strong anti-defense reaction brought about by the years of Vietnam and Watergate, and the hopes that détente with the Soviet Union would mean a greater degree of Soviet restraint in weapons deployments and geopolitical expansionism, led to a period of perhaps excessive reductions in real defense spending. But recent events indicate that this trend has now ended, and that there is a strong and increasing national will to maintain adequate defenses. Public opinion polls indicate that the American people are willing to support higher spending on defense, despite the growing negative reaction to government spending in general and the emergence of the "taxpayer's revolt."[19] President Carter has successfully increased the defense budget and is publicly committed to a three percent annual real growth in our spending on defense. Nor is there any evidence that Congress will oppose necessary defense spending; the defense appropriations veto fight that occurred this year was not over the level of spending, but rather over the best way to spend the available dollars.

[19] For example, see the Harris poll released September 7, 1978, reporting on results of a poll taken in late June 1978 in which 36 percent favored an increase in the defense budget, 18 percent a decrease, 41 percent the same, and 5 percent no opinion.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Even if one believes that the nation's main defense problem is the need to demonstrate a strong will to respond to Soviet force deployments and geopolitical expansion, it is not at all clear that Senate rejection of the SALT II agreement would demonstrate such will. If the treaty contained serious technical flaws, or if it explicitly prohibited necessary defense programs, its rejection would perhaps be seen as a demonstration of renewed American strength. But this agreement does not contain such deficiencies. Therefore, in my view its rejection would more likely convey a different set of signals. It would indicate first of all that the U.S. political system cannot generate a stable national consensus on even the most crucial foreign policy issues. Second, rejection would make it clear to our allies that a relaxation of East-West tensions is not likely to come about from bilateral U.S.-U.S.S.R. negotiations; thus, if they wish to pursue a political détente, they will have to do so on their own. Finally, a rejection would imply that we have no confidence in our own defense programs—that we are seriously worried about our military position relative to that of the Soviet Union, and feel that even the modest limits within the treaty would stand in the way of redressing any imbalance.

If there were no other reason to accept the new treaty than to avoid the negative consequences which might flow from its rejection, one could hardly expect more than reluctant acquiescence of either the Senate or the American public. But the new treaty deserves more than this. As this essay has argued, it is a treaty very much in the U.S. interest, and it sets important and positive precedents for a continuation of the SALT process. Given the quality of the treaty, its rejection would lead the rest of the world to see the United States as hesitant, insecure, and incapable of mounting an effective political and military effort to establish a stable peace in the nuclear age.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Robert Triffin

THE INTERNATIONAL ROLE AND FATE OF THE DOLLAR

All Americans are alarmed at the shrinking value of the dollar in their neighborhood supermarkets—by close to one-half in the last ten years. With the President's announcement in early November ordering a series of dramatic actions to shore up the value of the dollar abroad, more and more Americans have also become conscious of the dollar's declining value in terms of major foreign currencies over the same period—by more than one-half against the West German mark and the Japanese yen, and by nearly two-thirds vis-à-vis the Swiss franc. But I suspect that no more than one American out of 10,000 realizes that these—and other—developments are rapidly undermining what President de Gaulle used to call our "exorbitant privilege" of being able to settle with our own dollar IOUs the growing excess of our expenditures abroad over our receipts from abroad (on capital as well as on current account). Such excess has been to the tune of $300 billion over the last ten years (see line I of Table I).

The Bremen summit meeting of July 6 and 7, 1978, of the West European heads of state and government should finally bring home to us the full dimensions of the international dollar crisis. It should awaken us both to the increased dangers of further procrastination in the shaping of sensible and comprehensive U.S. policy responses to this crisis, and to the new opportunities for *two-way* cooperation with the emerging "European Monetary System" outlined at Bremen. Such cooperation is essential in order to avoid a further disastrous collapse of the dollar, and of a world monetary system precariously anchored to it. The Bremen initiative to set up a European Monetary System reflects, at bottom, a desperate desire of the leaders of the Community to make their countries less dependent on the unpredictable vagaries of a shrinking U.S. dollar.

Robert Triffin is Frederick William Beinecke Professor of Economics at Yale University and invited professor at Louvain-la-Neuve. He is best known as a long-time advocate of world monetary reform and regional monetary integration, and as one of the main architects of the European Payments Union and of central bank reforms in several Latin American countries. He has served as consultant to various U.S. and U.N. agencies, and to the European Economic Community.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

II

The present dollar crisis and the foreign reactions to it cannot be understood without a brief reminder of at least its proximate origins, i.e., of the evolution of the international monetary system and of the role of the dollar in it over the last ten years.

Officials and public opinion in the United States are prone to ascribe most of the blame for the crisis of the dollar, and of the international monetary system built upon it, to the quintupling of oil prices at the end of 1973. In fact, the world inflation began well before then, and the abrupt rise of oil prices was, in part at least, prompted by it, although, of course, the oil price increase accentuated it in the following years.

World import and export prices, measured in dollars, rose by less than one percent a year in the 1960s, but by more than six percent a year from 1970 through 1972, and by as much as 30

TABLE I

THE INFLATIONARY EXPLOSION OF INTERNATIONAL LIQUIDITY
(in billions of U.S. dollars)

	End 1969	*End 1972*	*End 1977*	*Mid-1978*	*Mid-1978 % of 1969*
I. Foreign Dollar Claims	78	146	363	373	478
A. On U.S. Government and Banks	49	85	210	221	451
B. On Foreign Branches of U.S. Banks	29	61	153	152	524
II. International Monetary Reserves	79	159	319	330	418
A. Foreign Exchange	33	104	244	256	776
1. Dollars & Eurodollars	20	81	197		985
2. Other Currencies	7	15	27		386
3. Other	7	8	22		314
B. Other: World Monetary Gold, SDR Allocations and IMF Loans and Investments	46	55	75	75	163
III. Commercial Banks Foreign Liabilities in:	121	217	658	700	579
A. Dollars and Eurodollars	94	157	481		512
B. Other Currencies	27	60	177		656

SOURCES: These rough estimates are derived from various tables published by the International Monetary Fund in its *International Financial Statistics* and *Annual Reports*, by the *Federal Reserve Bulletin*, and by the Bank for International Settlements in its *Annual Reports* and quarterly releases on Eurocurrency and other international banking developments. They are not fully comparable, owing particularly to the different definition of "foreign" liabilities in U.S. and European reporting. Following usual practice, detailed figures are shown in rounded-off billions of dollars.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

percent in the last 12 months *before* the explosion of oil prices in the fall of 1973. This was not unconnected, to say the least, with the enormous and mounting U.S. deficits abroad which flooded the world monetary system, doubling world reserves from the end of 1969 to the end of 1972 (see line II of Table I), i.e., increasing them by as much in this short span of three years as in all previous centuries in recorded history.

Under the Bretton Woods system set up in 1944, countries were committed to keeping exchange-rate fluctuations within very narrow limits: one percent at most above or below the par values declared to the International Monetary Fund (IMF); these values were changed only infrequently by the major countries. In order to maintain such narrow limits, each country's central bank or treasury undertook to "intervene" in the exchange market whenever an excess supply of its currency—arising from the country having spent, lent and invested more abroad than it earned—tended to depress its exchange rate; or whenever an excess demand for its currency—the country having earned more abroad than it spent, lent and invested—tended to raise its exchange rate. In the first instance, the country would redeem the overflow of its currency in the market to prevent its price from going down; and, in the second case, it would sell the amounts needed to prevent its price from going up.

The U.S. dollar played the key role in these transactions. It had unwittingly acquired the poisoned "privilege" of being used overwhelmingly as the universally acceptable "parallel" currency against which every other country sold or redeemed its own national currency in the exchange markets. The dollar was also a major component of the "international reserves" accumulated in the process by national monetary authorities and, finally, of the "working balances" held by all private banks, firms, and individuals engaged in international trade, services and capital transactions. This universal acceptability derived from the fact that dollar holdings could be invested in a broad capital market at remunerative interest rates, while being legally convertible *at any time,* at a fixed price of $35 an ounce, into gold metal carrying no such interest earnings. The U.S. dollar was, therefore, as good as gold, and indeed better than gold as the liquid investment for other countries' surpluses and savings.

Nearly 20 years ago, I pointed out that such a world monetary system was not viable.[1] In what came to be known as the "Triffin

[1] Particularly in my October 28, 1959, testimony before the Joint Economic Committee of Congress, reprinted in Robert Triffin, *Gold and the Dollar Crisis,* New Haven: Yale University Press, 1961, pp. 3-14.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

dilemma,"[2] I forecast that (a) if the United States corrected its persistent deficits, the growth of world reserves could not be fed adequately by gold production at $35 an ounce; but that (b) if our deficits continued, our foreign liabilities would far exceed our ability to convert them into gold upon demand, and bring about a gold and dollar crisis.[3]

The first term of this dilemma prompted, ten years later, the creation of Special Drawing Rights (SDRs), i.e., what are essentially reserve deposits in the IMF on which member countries could draw, under certain conditions, to obtain the foreign currencies needed to settle their payments deficits.[4] But SDRs were to serve as an addition to, rather than as a substitute for, reserve currency holdings (overwhelmingly U.S. liabilities) as international reserves. These reserves continued to pile up at an average yearly rate of about $600 million throughout the 1960s, but by nearly $8 billion in 1970 alone, and $13 billion in the first seven months of 1971. By August 1971, our shrinking gold reserves had dropped to less than one-third of our gold-convertible liabilities to foreign central banks, and less than one-fifth of our total liquid liabilities to foreigners, including those to commercial banks and other private holders. The "temporary" suspension of dollar convertibility by President Nixon, on August 15, confirmed—alas!—the second term of the 1959 "Triffin dilemma."

III

The end of dollar convertibility solved—after a fashion—the gold problem of the United States, but it did not arrest the inflationary proclivity of the dollar-exchange standard for America as well as for the rest of the world. United States government indebtedness (mostly Treasury securities) and banks' liabilities to foreigners (including those of branches abroad) nearly doubled in the years 1970–72, rising from $78 billion at the end of 1969 to $144 billion at the end of 1972, and increasing another two-and-a-half times in the following five years to $363 billion at the end of 1977. Their total increase of $285 billion over these eight years is exactly equal to the total increase of the federal debt over this period—

[2] See Oscar L. Altman's summary of my diagnosis in "Professor Triffin's Diagnosis of International Liquidity and Proposals for Expanding the Role of the IMF," *IMF Staff Papers*, April 1961.

[3] See Robert Triffin, *Gold and the Dollar Crisis*, *op. cit.*

[4] Beginning in July 1974, the value of the SDR was redefined as equivalent to a weighted basket of 16 major currencies valued at their market exchange rate for the dollar. The composition of this basket was modified in July 1978, the currencies of Iran and Saudi Arabia replacing those of Denmark and South Africa, and the weights of various currencies being also changed. The SDR fluctuates daily.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

from $279 billion at the end of 1969 to $564 billion at the end of 1977—a bizarre coincidence undoubtedly but not an entirely fortuitous one. International monetary reserves doubled from 1969 ($79 billion) to 1972 ($159 billion); they doubled again in the following five years (to $319 billion at the end of 1977). Of this total increase of $240 billion, 88 percent ($211 billion) was in foreign exchange holdings,[5] overwhelmingly dollars and Eurodollars ($177 billion), most of which reflect the reported growth of U.S. government and bank (including branches) liabilities ($150 billion). This huge overflow of dollars into foreign countries' reserves slowed down inflationary developments at home in the United States by transmitting them in part to the rest of the world.

Equally, or even more, alarming has been the fantastic increase in private banks' foreign lending and liabilities over this period. Incomplete reporting to the Bank for International Settlements (including, however, huge interbank operations) shows a total increase of these liabilities from about $120 billion in 1969 to about $700 billion in June 1978. About three-quarters of these liabilities are in dollars and Eurodollars, of which about 35 percent are debts of U.S. banks and their offshore branches in the Bahamas, the Cayman Islands, etc., another 15 percent in branches of U.S. banks in the United Kingdom, and an undetermined but undoubtedly substantial percentage are the liabilities of U.S. bank branches in other European countries.[6]

Taken together, official and private dollar and Eurodollar holdings are now well in excess of $700 billion, about half of which are U.S. government and banks' (including their branches abroad) liabilities, and the other half are liabilities of foreign commercial banks, built upon—and overlapping with—their claims on the United States.

This fantastic increase in international liquidity was well on its way before the suspension of the convertibility of the dollar in August 1971, the generalized adoption of floating rates in March 1973, and the fivefold increase in oil prices in the fall of that year. It has continued since then, however, at an unabated pace, and is undoubtedly the biggest factor in triggering the worst global inflation in history.

[5] The remaining 12 percent is accounted for by the 1970–72 allocations of Special Drawing Rights (4 percent), IMF lending (5 percent), and the impact of the dollar depreciation on the dollar valuation of Special Drawing Rights and of nearly unchanged world monetary gold stocks (3 percent).

[6] The term *Eurocurrency* is generally applied to bank assets or liabilities denominated in a currency other than that of the country in which the bank is located: *Eurodollar* for dollar transactions by a bank located outside the United States, *Euromark* for mark transactions by a bank located outside Germany, etc.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

IV

The floating exchange-rate system that succeeded the Bretton Woods agreement has become more and more unacceptable to many countries.[7] Under the "floating exchange-rate" system, generalized in March 1973, central banks are no longer committed, as they were under the Bretton Woods system, to keeping exchange rate fluctuations within agreed margins through their own market interventions. Exchange rates may, therefore, fluctuate daily on the market in response to both private supply and demand and to central bank discretionary interventions—and other forms of management, such as interest-rate changes—aimed at slowing down, or accelerating, such fluctuations. They are rarely, if ever, left totally "free" to float without any intervention whatsoever by the official authorities.

Floating rates also became increasingly dangerous to the future of the dollar. The dollar's decline to one-half to one-third of its previous value vis-à-vis the major currencies in competition with it as a channel for the investment of international official reserves and private working balances has not succeeded—far from it!—in correcting huge and persistent deficits in our international transactions. The continued overflow of dollars abroad has piled up an enormous indebtedness (often called "overhang") of foreign dollar balances, rising from about $78 billion in 1969 to more than $370 billion in mid-1978, which private holders are more and more tempted to unload on the market, and which central banks are absorbing, more and more reluctantly, to slow down the depreciation of the dollar vis-à-vis their own currencies, and the consequent damaging impact on their own trade, production, and employment.

The international acceptance of the dollar by foreigners as the major world currency provided us with financing facilities rising from $10 billion a year in 1975 to $44 billion in 1977 (Table II, line III B). As a result, U.S. indebtedness or "overhang" rose to $221 billion by the middle of 1978 (Table I, line I A). While 44 percent of these dollar liabilities was absorbed by the private market in 1976, only 16 percent was absorbed by it in 1977, and only three percent in the first quarter of 1978.

The remaining overflow had to be bought by central banks and other official agencies and, contrary to a widespread assumption, only a minor portion of these purchases (18 percent in 1977 and 11

[7] See my paper on "The Future of Floating Exchange Rates: Free? or Mismanaged?" first presented on May 15, 1978 at a working conference sponsored jointly by *The International Herald Tribune* and *Forex Research Limited*, and updated in a forthcoming publication of *The Exchequer*.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

percent in the first quarter of 1978) came from the OPEC countries. The largest bulk was bought by the United Kingdom and Italy in the first part of 1977, but later with growing alarm and protests by Germany, Switzerland, Japan and other industrial countries. This use of the dollar as the major means by which surplus countries accumulated official reserves and working balances imposed upon the United States the awesome responsibility of "recycling" these surpluses by lending to weaker countries that were also in balance-of-payment deficits. Our bank loans to foreigners thus rose in 1977 by $11 billion and by an annual rate of $25 billion in the first quarter of 1978, as against $1 billion in 1970, and even less in most of the 1960s (Table II, line III A-1).

Our net official reserves and bank assets (Table II, line III), which were still growing slightly in 1975 under the impact of an exceptionally large surplus on current account, declined by $8

TABLE II

THE U.S. BALANCE OF PAYMENTS
(in billions of U.S. dollars)

	1970	1975	1976	1977	Yearly Rate Sept.–Dec. 1977	Yearly Rate Jan.–March 1978
I. Current Account	2	18	4	−15	−28	−27
II. Net Capital Outflows (other than under III)	5	14	12	18	11	13
III. Official Reserves and Bank Assets (I–II)	−3	4	−8	−33	−39	−41
A. U. S. Assets	−2	14	24	12	35	24
1. Bank Loans	1	14	21	11	35	25
2. Official Reserves	−3	1	3	–	–	−1
B. U. S. Liabilities (−) to	−2	−10	−32	−44	−74	−65
1. Private Holders	6	−3	−14	−7	−11	−2
2. Official Holders:	−8	−7	−18	−37	−62	−63
OPEC	. . .	−7	−10	−7	−4	−7
Other	. . .	–	−8	−30	−58	−55
% Dollar Depreciation (−) since May 1970, vis-à-vis:						
10 major currencies	−1	−15	−13	−19	−19	−22
Swiss Franc	–	−39	−43	−54	−54	−57
Mark	−7	−28	−35	−42	−42	−44
Yen	–	−15	−18	−33	−33	−38
Pound	–	+19	+41	+26	+26	+29

SOURCE: *Survey of Current Business*, U.S. Department of Commerce, Washington, D.C.
NOTE: Contrary to the bookkeeping practice highly misleading to the layman, *minus* signs in this table indicate a decline of assets or an increase of liabilities. Capital outflows on line II exclude official and bank assets and liabilities recorded under III and reflecting the "recycling" use of the dollar as an international "parallel" currency.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

billion in 1976, $33 billion in 1977, and at an annual rate of more than $40 billion during the first quarter of 1978. This growth of our net indebtedness was in part the result of our other capital exports (line II) but, increasingly, the result of our current account deficits of $15 billion in 1977 and $27 billion, at an annual rate, in the first quarter of this year (line I), reversing average surpluses of $9 billion a year in the previous three years, and a peak surplus of $18 billion in 1975.

It might be added that the deterioration of our current account balance would look far worse still if we excluded from it our net earnings on accumulated investments made in the past. These earnings have grown from $13 billion in 1975 to $16 billion in 1977, to an annual rate of $19 billion in the first quarter of 1978. Discounting them, our *current* absorption of real resources from the rest of the world reached $33 billion last year, and was running at an annual rate of $47 billion in the first quarter of this year.

Such a frightening deterioration of our balance of payments and accumulation of foreign indebtedness explains the gloomy view of foreigners—and of many Americans—about the future of our once mighty dollar. It explains also the desperate attempt of the Europeans to set up a new European Monetary System less overwhelmingly dependent on an inconvertible, fluctuating, and shrinking dollar for their own international settlements and accumulation of official reserves and private working balances.

V

The momentous decision reached last July at the Bremen meeting of the European Community heads of state and government to try to set up just such a European Monetary System deserves far more attention than it has received so far in this country. It is still dismissed by skeptics as a utopian dream, impossible to realize in the face of widely divergent rates of inflation among the member countries of the Community. What they do not understand is that the proposed European system does not entail, in the immediate future, any full, irrevocable, and undoubtedly premature, stability of exchange rates among the participating countries, and even less the replacement of national currencies by a single, common currency, though such a currency is hoped for as an eventual, but still distant, outcome of the institutional reforms now envisaged. What is planned for immediately is a vastly enlarged use of the present Unit of Account of the Community making it into a "parallel" currency usable as an alternative to dollars, Eurodollars and other Eurocurrencies already used to-

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

day in a wide variety of international accounts and transactions. This parallel currency, renamed ECU (European Currency Unit) in the Bremen proposals, will probably remain initially defined as a "weighted basket" of the member currencies.[8]

The ECU would be used as the main currency unit for all, or most, of the transactions of the European Communities and their agencies, for settlements among member countries' central banks, for mutual monetary support loans and their repayment (as an alternative preferable to the dollar denomination most frequently used today), and possibly for the flotation in the market of international bond issues.

Reserve accounts in ECUs would be opened for each member country in exchange for equivalent transfers or collateral deposits by them of gold and foreign exchange reserves (initially 20 percent of their global reserve holdings) and of matching amounts of their own currency. Valuing gold at prices related—but not fully equal—to current market prices would provide an initial pool equivalent to more than $60 billion, which member countries could draw on to finance their deficits and stabilize their exchange rates. Central banks could draw freely, of course, on that part of their ECU accounts which is fed by their gold and foreign exchange transfers. But their drawings on the accounts issued against their national currency would be conditional upon policy commitments aimed at avoiding inflationary abuses and at correcting persistent deficits in the country's external transactions.

Indeed, the main purpose of the agreement is to promote domestic policies combating inflation as well as deflation, to achieve a better equilibrium in each country's balance of payments, and to reduce thereby exchange-rate instability among the member currencies. The so-called snake agreement would remain in force among its participating countries—West Germany, the Netherlands, Belgium, Luxembourg, and Denmark.[9] What the snake agreement does is to commit the participating countries' central banks to intervene in the exchange market to keep their bilateral exchange rates (between the mark and the guilder, for instance) within a margin of two-and-one-quarter percent of central parities expressed in each of the other participating countries' currencies. Such parities are revised only infrequently. These

[8] Composed of 0.828 German marks, 1.15 French francs, 0.0885 pounds sterling, etc., and giving in effect, as of June 1978, a weight of about 52 percent to the strong, appreciating currencies of Germany and the Benelux, 20 percent to the French franc, and 28 percent to the weaker currencies of Britain, Italy, Denmark, and Ireland.

[9] Besides the Community countries, Norway is also a participant, but the United Kingdom, France, Italy, Ireland and Sweden no longer participate in the snake arrangements.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

interventions may be financed either through sales of dollars on the market from the weaker currency country's own reserves, or through short-term credits extended by the stronger currency country to the weaker and repaid by the latter, mostly in dollars, if the disequilibrium calling for such intervention is not reversed before these credits mature.

The aim, however, is to reach an overall agreement encompassing all member countries and committing them to observe broadly similar fluctuation margins, to consult with each other on desirable, or unavoidable, readjustments of their central parities, and to pursue policies deserving the broader financial support to be made available to them through this new agreement.

At this writing, a number of serious, highly technical problems must still be ironed out before concrete and operational reforms can be adopted at the December 1978 meeting of the European Council in Brussels. While it appears likely that agreement will be reached by then on most of these issues, the major hurdle to be overcome will be to reach full agreement with the two weaker countries of the group, i.e., Italy and particularly the United Kingdom, on acceptable and credible commitments by them. Although there is little doubt that Britain and Italy will be parties to an agreement signed in Brussels, some interim provisions may have to be included for either or both of them, postponing their full participation in the normal policy commitments and automatic credit facilities of the new European Monetary System.

This would inevitably entail special provisions regarding the definition of the ECU as a benchmark for compulsory stabilization interventions in the exchange market during an interim period. The temporary exclusion of sterling—and lira?—fluctuations from the calculation of the weighted ECU basket would complicate its definition. It would, on the other hand, make it more attractive to prospective holders by preventing exchange-rate fluctuations of the weakest currencies of the Community from affecting the value of the ECU.

The European Monetary System deriving from the Bremen agreement is also most likely to revolutionize the structure of private, as well as official, credit and financial transactions. Even before the Bremen meeting, a private group of influential business and banking leaders—the European League for Economic Cooperation (ELEC)—approved unanimously, in May 1978, a concrete proposal, which it had asked me to draft, for "A European Parallel Currency as a Shelter Against Exchange Rate Instability."

The League urged the adoption of a parallel European currency

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

as "an attractive alternative to the parallel currencies widely used already in *transnational* contracts which cannot, obviously, be denominated *simultaneously* in the national currencies of each of the contracting parties. . . . The exchange rate of an appropriately defined European parallel currency would be less volatile [than those of the Eurodollar, Euromark and other Eurocurrencies most in use today], its fluctuations remaining more moderate vis-à-vis the national currencies of member countries, as well as vis-à-vis other currencies."

The League further proposed as the parallel currency the same "European Unit of Account" basket defined in Bremen as the ECU, suggesting, however, that it be popularized under the name "Europa" that would both symbolize the ultimate aim of European Union and dispense with the need for multiple translations into the various languages of Europe and of the world. It pointed out the enormous and growing size of the Eurocurrency market open to the proposed Europa. For example, the foreign liabilities of the banks of the eight European countries reporting to the Bank for International Settlements and expressed in currencies *other* than the domestic currency of the debtor banks totaled, at the end of 1977, more than $383 billion, of which 71 percent was denominated in dollars, 17 percent in marks, and the remainder in Swiss francs, Belgian francs, pounds sterling, etc.

The ECU (or Europa) would, therefore, displace *foreign* currencies, rather than *domestic* currencies, in transactions for which the use of foreign currencies is legally authorized and already prevalent. Its use, however, could be gradually extended to various categories of domestic transactions, as each country succeeds in stabilizing its exchange rate vis-à-vis the ECU. If and when sufficient progress has been achieved to make the hoped-for European monetary union feasible, the already existing ECU would offer a more realistic transition than formerly envisaged (in the so-called Werner Plan) for the eventual merger of the national currencies.

VI

The first reactions of the Carter Administration to the Bremen proposals were ambivalent. The Administration reiterated both long-standing U.S. support for European monetary union, and U.S. skepticism over its feasibility. High-ranking Treasury officials also reiterated U.S. support for making SDRs the principal instrument for international settlements and reserve accumulation, "but, of course, without eroding the traditional role of the dollar." This is, of course, a contradiction in terms since the dollar has

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

been, since the war, and remains, by far the major instrument in both these respects. American officials also expressed some fears about the inflationary potential of ECU issues and accumulation—as though the use of the dollar had not proved wildly inflationary and was not one of the main arguments for an ECU alternative more controllable by the Europeans than the unlimited acceptance by their central banks of dollar overflows.

Finally, and most bizarrely, they voiced their concern about the fact that the new system might deter the strongest currencies from appreciating sufficiently against the dollar. While it is true that such appreciation might be slowed by being more evenly spread out from the present "refuge currencies"—primarily the mark and the Swiss franc—to a broader range of currencies, Washington's major worry should be exactly the opposite: an *excessive,* rather than inadequate, depreciation of the dollar vis-à-vis the ECU and the European currencies anchored to it. Possible switches in international demand from a weakening dollar to a stronger ECU would indeed threaten to accelerate dollar depreciation and so to make the dollar more and more undervalued. If this were to happen, the clamor for protection against U.S. "exchange-rate dumping" might become nearly irresistible abroad, and the depreciation of the dollar might also trigger a panicky reaction here at home toward protectionism and even some forms of exchange controls and restrictions. Americans and foreigners should accept a depreciation of the dollar sufficient to restore our price and cost competitiveness in world trade, but should not be expected to tolerate the much deeper depreciation that might be—and perhaps already is being—triggered in the exchange markets by the diversification of portfolio holdings from a near-monopoly of the dollar into a broader range of "parallel currency" alternatives. The Europeans are even more anxious than we are to avoid such a danger, and to participate with us in the joint defense and readjustments of the dollar rate vis-à-vis their currencies.

Such policies as may emerge, however, cannot be confined to official market interventions—by them or by us—if it means throwing good money after bad. An indispensable prerequisite for their success is a fundamental attack on the root causes of the dollar weakness, that is to say, our internal inflation and our external balance-of-payments deficits. The clear affirmation by the Congress as well as by the Administration of these two prior policy objectives, and their early implementation by concrete restraints on fiscal overspending, excessive money creation, and particularly on our profligate oil consumption and imports, should help

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

restore confidence in the dollar, and reverse bearish speculation against it, by Americans as well as by foreigners.

Incomplete and provisional balance-of-payments estimates for the second quarter of this year suggest that the tide may have turned already. Our current account deficit was halved from the first to the second quarter, and was exceeded, for the first time in many, many years, by net capital inflows (including an unprecedented $8 billion "statistical discrepancy"). Together with a contraction—for the first time also in many years—of foreign lending by our banks, and a further accumulation of dollar balances by private holders abroad, this permitted official holders to *reduce* their own dollar holdings—for the first time since 1969—by nearly $5 billion, as against quarterly *increases* of about $16 billion in each of the previous two quarters.

Yet a total and lasting correction of our deficits cannot be expected overnight. Corrective policies—including past readjustments of our exchange rates—produce their full effects only slowly. The avoidance of an excessive depreciation of the dollar is still most likely to require considerable financing of residual deficits that cannot be eliminated overnight.

The Bremen agreement opens up new possibilities in this respect, both for the absorption of residual dollar overflows and for the partial consolidation of the excessive dollar overhang piled up in the past.

G. William Miller, head of the Federal Reserve Board, has recently argued that we should no longer bar the possibility of denominating some of our foreign borrowings in the creditors' currencies rather than our own, in order to make them more attractive and acceptable to prospective buyers deterred by the risk of exchange losses on a depreciating dollar. This would seem even more necessary today than it was in the early 1960s when such bonds and notes were issued to official institutions of foreign countries (primarily Germany and Switzerland) at the initiative of the then Under Secretary of the Treasury, Robert V. Roosa. The adoption of the ECU as a European parallel currency should enable us, however, to denominate instead some of those foreign borrowings in ECUs. Financially, this would expose us to smaller risks of exchange losses than a denomination in marks or Swiss francs. Politically, it would express our concrete support for the new European Monetary System, and be far more acceptable than borrowings in any *national* currency other than the dollar.

Another form of borrowings in foreign currencies is the "swap" or "reciprocal currency arrangements" under which the

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Federal Reserve can theoretically draw up to more than $22 billion in foreign currencies, including nearly $18 billion in European currencies. Under these swap arrangements, the amount of any foreign currency bought "spot," i.e., for immediate delivery, is simultaneously sold "forward," i.e, for delivery on or before the maturity date.[10] If the present, still embryonic, European Fund for Monetary Cooperation (EFMC) is strengthened, as planned, to become the centerpiece of the new European Monetary System, these swaps might be denominated also in ECUs rather than in national foreign currencies.[11]

The ECU obligations accumulated abroad under these arrangements need not be bought and retained exclusively by national central banks and the EFMC. Arrangements should be made with central banks and the EFMC enabling them, under agreed conditions, to sell such obligations in the private market, in order to mop up some of the excessive inflationary levels of internal liquidity which their purchases of ECU obligations might create. The ECU exchange guarantee would make such U.S. obligations far more negotiable, at lower interest costs, than dollar obligations are today, and the placement of ECUs in the market would make the financing of our deficits far less inflationary than if ECUs were accumulated and retained solely by central banks and the EFMC.

The ECU denomination could facilitate not only the financing of current dollar *overflows*, but also the consolidation of part of the excessive dollar indebtedness or *overhang*, official and private, accumulated abroad as a result of our past deficits. Conversion of liquid foreign dollar claims—held more and more reluctantly by the creditors—into "substitution accounts" giving an exchange guarantee to the holders has long been suggested in various IMF reports. Too often this proposal has met with objections from the United States, a nation which should, instead, accelerate the negotiation of an arrangement of enormous potential benefit to its battered dollar.

The exchange denomination—and guarantee—proposed so far for these "substitution accounts" is an SDR denomination. But an ECU denomination would provide an alternative that might be deemed far more acceptable and attractive to some of the present dollar holders, especially in Europe, as well as to the EFMC to which some of these holdings might be transferred. The exchange risk that conversions of dollars into ECUs would entail for us

[10] Usually three months later, with the possibility of being rolled over for additional three-month periods by mutual agreement.

[11] The European Fund for Monetary Cooperation is an agency of the Community centralizing some of the operations and accounting of mutual monetary support arrangements among members.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

would be more than compensated for by a lowering of interest rates on our obligations and by their consolidation into longer term maturities. Indeed, the most appropriate repayment provisions might even put aside any imperative repayment date. "Consol" bonds paying interest to their holders, but repayable only at the initiative of the debtor, were for many years a familiar feature of borrowings by the British government, and—under the name of *rentes perpétuelles*—by the French government. They could be made similarly familiar and attractive to some of our major creditors today, especially if coupled with a "contingent" repayment obligation in the event that present balance-of-payments disequilibria were reversed and our creditors were again to incur substantial deficits toward the United States.

The measures announced by the Administration on November 1st go exactly in the directions I have suggested earlier. The raising of the Federal Reserve discount rate and reserve requirements confirms the determination of the Administration to assign a high priority to the fight against inflation, which is one of the fundamental prerequisites, mentioned above, to the negotiability and effectiveness of the *joint* financing of agreed exchange rates.

More spectacular are the radical departures from past positions regarding the U.S. willingness to intervene in the exchange market. Huge resources will be mobilized to implement "a commitment to massive intervention, if necessary,"[12] not only to arrest, but even to correct, the excessive depreciation of dollar rates, without of course undertaking any premature commitment to full stabilization vis-à-vis other major currencies.

The United States plans to expand its monthly gold sales from 300,000 ounces to 750,000 ounces in November and at least 1.5 million ounces starting in December, sell $2 billion of our Special Drawing Rights, draw $3 billion from our $4.1 billion reserves in the IMF, increase our currency "swap" lines with Germany, Japan and Switzerland to $15 billion (more than doubling them) and issue up to $10 billion of Treasury securities denominated in foreign currencies.

Not counting our swap lines on other countries, nor gold sales that might bring us about $300 million a month if the gold price does not fall precipitously, this is an impressive package of $30 billion. It includes, notably, two of the major features suggested above: (1) borrowings in foreign currencies and (2) sales of Treasury securities to the private market rather than to central

[12] As announced by Treasury Under Secretary Anthony Solomon at a White House briefing, November 1, 1978.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

banks only. I hope, of course, that the results of the December meeting of the European Council will make it possible to explore and implement my other suggestions, including an alternative ECU denomination for some of our foreign borrowings.

VII

The implementation of my proposals should, in time, restore confidence in the strength of the dollar, and even tempt many people—especially in this country—to retain it as the kingpin of a better managed "dollar-exchange standard." My advice would, of course, be exactly the opposite. We should be as averse as foreign countries—or more so—to incurring again the awesome political responsibilities and inflationary temptations inseparable from the exorbitant, but poisoned privilege of having our *national* currency used as the main international currency of the world. The same privilege proved fatal to the pound, leading to its overvaluation and to widespread deficits and unemployment after the First World War, and again in the last ten years, and to recurrent crises and depreciation of sterling. It proved equally fatal to the dollar after it replaced the pound as the keystone of the world monetary system.

These two experiences have persuaded Germany, Switzerland, and Japan to prevent, or discourage, private and official holders from switching from a weaker dollar into their own stronger currencies. They should also discourage the European Community from favoring similar switches into their proposed ECU and from allowing it to become a rival to the dollar as a parallel world currency. Particularly important in this respect would be a provision limiting or prohibiting official holdings of ECUs by countries that are not members of the Community.

But there is no doubt that in the absence of close cooperation between the United States and the European Community, the ECU might become a powerful rival to the dollar and aggravate further its already excessive depreciation in the exchange markets of the world. It is high time that U.S. officials—and their advisers—pay full attention not merely to the dangers but also to the opportunities flowing from a forthcoming European Monetary System. The early negotiation and implementation of the proposals summarized above—and of others—will be crucial to avoid a potential disaster and, instead, to make the European Monetary System highly beneficial to the United States and to the rest of the world as well as to its members.

The reconstruction of a viable world monetary order, acceptable

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

to Southern and Northern as well as to Eastern and Western countries, should prompt us to resume, with a new sense of urgency and determination to succeed, the negotiation of the basic reforms outlined by the IMF Executive Directors in their 1972 report on *Reform of the International Monetary System* and by the Committee of Twenty in 1974, after 20 years of continuous and searching debates and negotiations. An intellectual consensus had emerged at that time and could undoubtedly be revived and reflected in treaty form, if the United States now joined other countries in a political determination to implement, at long last, the reforms then deemed indispensable to the orderly functioning of any international monetary system.[13]

In brief, a new form of international reserve asset broadly similar to—but less absurdly baptized than—Special Drawing Rights should replace the dollar as well as gold in international settlements and reserve accumulation. It would be issued by the IMF in such amounts as to adjust the growth of world monetary reserves to the noninflationary requirements of feasible growth in world trade and production (rather than to the vagaries of the U.S. balance of payments and of the private gold market). The potential lending power transferred thereby to the IMF should be used for the financing of internationally agreed upon, top-priority objectives of the international community (rather than for the financing of U.S. deficits and gold sellers).

The explosion of private banks' foreign lending described above, and particularly the incredible mushrooming of "offshore" banking, should call, in addition, for some attempt to reach international agreement among the major countries involved in these operations. The foreign assets of U.S. banks alone—including those in the Bahamas and in the Cayman Islands!—have more than doubled since 1969 and are now more than double the foreign assets of their head offices. This can hardly be explained other than as an attempt to evade domestic taxes or regulations. But so far it has not prompted the governments of major financial countries to make any serious attempt to negotiate guidelines necessary to limit obvious abuses contrary to the public interest.

The forthcoming European Monetary System should be part and parcel of a more decentralized International Monetary Fund structure, leaving to regional groups of like-minded countries responsibilities for more intensive monetary cooperation and integration than is yet feasible, or even desirable, on a global scale.

[13] Latest summarized in the "Outline of Reform" on pp. 7–48, of *International Monetary Reform. Documents of the Committee of Twenty*, Washington, D. C.: International Monetary Fund, 1974.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

The gradual stabilization of exchange rates, for instance, may still be for a considerable time a more feasible and desirable goal within each—or at least some—of these regional groups than it is as yet between all such groups and countries.

Thus, the most urgent task for the United States is to help the new European Monetary System to succeed, and to insert itself into a worldwide monetary order, rather than become at best a mere inward-looking oasis, or at worst a total failure, condemned by our lack of cooperation to live in a world of continuing monetary chaos.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Walter J. Levy

THE YEARS THAT THE LOCUST HATH EATEN: OIL POLICY AND OPEC DEVELOPMENT PROSPECTS

For the last five years the world has been trying to cope with a set of problems triggered by the sudden oil price explosion of late 1973: the availability of oil to cover future energy demand, the economic and financial upheaval attending the jump in oil prices, and the utilization of a flood of petrodollars by OPEC countries for their national development and other purposes. These three issues are intimately interrelated and interact on each other; they can thus be properly assessed only in conjunction with each other.

The relationship between oil supply and oil demand has always depended not only on trends in world oil discovery and consumption—including the impact of conservation and the progress made in developing additional energy sources—but on the price and production policies of major oil-producing countries, based in turn on calculations of their political and economic interests. The post-1974 upheaval in the economic and financial structures of the Western industrialized countries, and of the world as a whole, has been kept within controllable limits in part by an economic slowdown and the resourcefulness of Western public and private financial institutions—but certainly also because the principal OPEC countries were not then able or willing to cut production and to press their undoubted bargaining leverage to the utmost. Price advances by OPEC have not kept pace with the overall rate of inflation and the decline of the dollar since the fourfold price increases of 1974, and the real price of oil has dropped substantially. Meanwhile, the great bulk of the new oil money, or petrodollars, flowing to the OPEC countries has been soaked up, often through prodigious spending by these countries in the West. As a result, the shock to the industrialized economies has been cushioned, and the flow of petrodollars directly into the financial system—while itself enormously increased and the source of continuing major problems—has not turned out to be the nightmare many had feared in 1974.

Walter J. Levy is a consultant to industry and governments.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

The American public's sense of urgency has thus tended to dissipate—as the limited energy legislation just passed by Congress attests. At the same time, responsible officials throughout the world have clearly felt that neither the West nor the United States in particular has yet faced up to the long-term scope of the energy crisis, especially the oil situation. Are the factors that have operated in these past four years lasting or temporary? Have we not, in fact, paid a far steeper price, even in these years—in the form of a recession, unemployment and inflation—than we have lately been prepared to recognize? May we not be headed, within the next decade at most, for far more serious upheavals, in which the OPEC producing countries can—and may, if for no other reason than to protect their vital self-interest—completely reassess their present internal development policies, which, in turn, may drastically affect their policies on the supply and price of oil? And what should we do about the serious possibility of interlocking adverse developments?

II

Let us deal first with the energy-oil balance. The present situation is one of oil surplus, stagnating OPEC production and declining real prices for oil. What has brought this about? On the demand side, there has been a substantial slowdown in the use of oil since 1974, especially for industrial purposes, partly because of the slow rate of world economic development and partly because of the higher cost of oil. Whereas energy consumption in the major industrial countries increased more rapidly than Gross Domestic Product in the years preceding 1974, the ratio between the two rates of increase—or the "energy coefficient," as it has come to be called—fell substantially in the years following.

On the supply side, the earlier discoveries in Alaska and the North Sea have now come to fruition and are making a substantial contribution. To this have lately been added increases in Mexican production based on recent prolific discoveries. At the moment, therefore, the oil crisis appears to be invisible.

But what about the prospects for the future? Every estimate for future oil demand shows at least some quantitative increases in world oil requirements for some time to come. For instance, taking into account the most likely availability and full utilization of all non-oil-based energy resources, a conservative assessment would project non-communist world oil consumption as likely to advance from 51 million barrels daily in 1977 to 62 million barrels per day in 1985.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

With domestic production of non-OPEC countries estimated for 1985 at 25 million barrels per day, including some 8 million barrels daily of non-OPEC developing countries—about twice their current output—required OPEC production would be 37 million barrels per day as against 32 million in 1977 (which includes OPEC's internal requirements). This assumes that there will be no call, in terms of net oil trade, on OPEC resources by the communist-bloc nations. Present OPEC productive capacity has been estimated at about 39 million barrels per day, of which Saudi Arabia would account for some 11 million.

The above figures would represent an increase in oil consumption of 2.5 percent per annum between 1977 and 1985—versus a rate of 7.5 percent between 1965 and 1973. This is predicated on an OECD economic growth rate of 3.6 percent per year from 1977 to 1985—versus 4.7 percent from 1965 to 1973—and an "energy coefficient" of 0.81 between 1977 and 1985, as compared with 1.13 between 1965 and 1973. This assessment points to a tight margin of oil availability in spite of what we believe are relatively moderate estimates of oil and energy demand. If OECD energy needs were to increase by only one-half of one percent per year more rapidly than our estimate, requirements by 1985 would be almost four million barrels a day higher—a precarious balance indeed between energy demand and available supply.

We might also refer to a much more pessimistic recent report of the International Energy Agency in Paris. Based on a "realistic assessment" of each IEA member country with energy policies as now in place, it assumes a 4.3 percent economic growth rate, 0.7 percent higher than the conservative assessment above. Taking account of the estimated energy balances for non-IEA countries, the IEA projects requirements from OPEC in 1985 at 42 to 48 million barrels per day, as compared with estimated available OPEC production of 36 to 38 million. This gap between supply and demand of 4 to 12 million barrels per day is, as the IEA points out, "a notional gap because in the long term the market will see to it that supply and demand would reach equilibrium. This situation, however, would imply strong upward pressure on prices and adverse consequences for economic growth."

In cruder but all-too-plausible terms, consuming nations would be bidding against each other not only in terms of price, but also in terms of political actions. Some would have to accept a severe reduction in the supply of oil that would be available at prices they could afford to pay. All would suffer individually, and the strain on the cohesion of the key Western allied nations could be very

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

grave indeed, not to mention the friction between rich and poor countries.

In each of these projections of future balance, the estimates of available future OPEC production—and of worldwide production generally—involve considerable uncertainties, especially for the post-1985 period. It takes time to discover, develop and bring substantial quantities of new oil to markets. But may not the new discoveries now being emphasized—in China two years ago, more recently in Mexico and in the Arctic—confound those who argue that the world must expect oil to diminish steadily as a component of total energy supplies?

Conceivably, if the highest hopes of every prospecting organization in the world were to be realized, the discovery of new reserves might keep pace with levels of consumption that are increasing more slowly than in the past. But, neither history nor recent experience provides dependable assurance for any such hypothesis. Even at a conservative rate of estimated demand for oil, cumulative consumption from 1978 through 1990 would amount to nearly 300 billion barrels, or about one-half of the total existing proven reserves. The 1978 ratio of production to proven reserves is currently 32 years; the break-even rate of discovery to maintain this ratio must start at 18 billion barrels a year and rise steadily to some 23 billion barrels a year by 1985.

As against such needs, it has recently been estimated by Exxon, on the basis of geological assessments and probability analysis, that the finding rate during the next decade will fall within an average range of 12–18 billion barrels a year—more than in the past except during the initial boom period in the Middle East. Even if one takes a slightly higher estimate of the rate of discovery—say, 18–20 billion barrels of new proven reserves a year until 1985—the production-to-reserves ratio would decline from 32 years in 1978 to 25 years in 1985. The ratios would be higher than the average for Saudi Arabia and a very few more producing nations, but much less for most of the other oil countries, thus setting an effective physical limit on their level of output. There would then be little room, if any, for many of the producing countries to expand or even maintain their production on the basis of extant reserves.

The large new discoveries in Mexico and the potential elsewhere, such as in the Arctic and East Asia, will of course be most welcome and may ultimately stretch the lifespan of reserves by a number of years. But nothing now in sight changes the basic prognosis of declining physical availability of oil. This does not mean, of course, that reserves would actually run out by the dates that present

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

arithmetic would suggest, for producing countries would tend to cut back production along the way in the face of impending declines in their reserves, while importing countries would be scrambling for other energy sources. The point is that the kind of pressures on production and pricing policies already predicted by the International Energy Agency for the 1985 time frame can only get worse thereafter as the implications of declining physical availability take hold.

Moreover, the new or enlarged producing areas will certainly not operate without regard to the supply/demand and physical availability factors that will be conditioning the policies of the present members of OPEC. On the contrary, it must be assumed that new production will be integrated sooner or later into the OPEC supply and pricing pattern as that pattern itself evolves. Not in the medium term—nor even in the long term— is new production likely to cause a meaningful break in oil prices for any sustained period that would substantially reduce the financial burden of the importing countries.

These are the facts of life in the world of oil; they are as well known in the sophisticated circles that guide present OPEC policies as they are in the consuming countries. In formulating an energy policy, we must thus assume that the period available to us for transition from an oil-based economy to one founded substantially on new energy resources will probably not exceed 20 to 25 years. The need to provide for the world's medium- and longer-term future is clear, but not the means of getting from here to there.

Coal will certainly make a substantially increased contribution, but only in the few countries with an extensive resource base. It is unlikely that within a relatively short time span, the environmental compromises would be reached and facilities could be put into place that would permit the production, internal transportation, exports, and utilization of large additional quantities of coal from the few richly endowed countries. Moreover, shale oil, tar sands and very heavy oils will become a significant factor only if there are technical breakthroughs, such as *in situ* production. The prospects for solar, wind and wave power, and for energy from biomass, must presently be evaluated as relatively marginal within the foreseeable future.

Atomic energy is the one technically and economically feasible source that could make a major contribution to supply, but its development is stymied by the problems of potential weapons proliferation, waste disposal, and political and public opposition. Whereas only two years ago it was predicted that by the year 1985 the member nations of the OECD would have in excess of 300,000

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

megawatts of nuclear capacity in operation, the Department of Energy, in its "1977 Annual Report to Congress," now assumes that by the mid-1980s there will be no more than about 200,000 megawatts of nuclear power on line. As far as the United States is concerned, the Department of Energy currently estimates that by the mid-1980s nuclear capacity will be slightly less than 100,000 megawatts or about one-half of the OECD figure. This compares with U.S. government targets for 1985, set only a few years earlier, of more than 200,000 megawatts. Further delays or cutbacks can only intensify the crunch.

III

Against this background and aggravated by the decline in the value of the dollar, we must expect that during 1979 OPEC prices will increase more or less in line with inflation and the fall of the dollar—perhaps by eight to ten percent for the year, possibly in installments. This would increase the cost of OPEC's oil exports by more than $12 billion in the coming year alone. If the Iranian oil industry has not resumed reasonably full-scale operations by the end of this year, the cost of oil will most probably advance much more steeply.

After 1979, assuming continued increases in demand, the rate of price increases—probably by the early to mid-1980s—might accelerate, not only to make up for past "losses," but also to reduce or eliminate the current account deficits of many OPEC countries, which in 1977 already had borrowed over $11 billion in the international market. Moreover, around the mid-1980s or early 1990s, when the specter of imminent oil shortages begins to haunt the world, the opportunities and pressures for large advances in the real price of oil are almost certain to become decisive from the standpoint of oil-balance factors alone.

We have already experienced the economic consequences of the 1974 oil price explosion; and since 1974, the progress of the world economy has become dangerously sensitive and vulnerable to the economic and political effects of any future sizable advances in the cost of oil. The impact of the 1974 price rise has not been uniform among nations, but has shifted over time among developing as well as developed countries, including the United States, and often unpredictably. Between the end of 1973 and early 1978, the total foreign debt of non-OPEC Third World countries, partly as a result of the high cost of their oil imports, has increased from an estimated $95 billion—of which $30 billion was owed to commercial banks—to $210 billion, of which $90 billion was obtained from

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

private financial institutions. At present, the United States is struggling with a persistent, huge oil trade deficit, and with uncertainties affecting the dollar exchange rate, aggravated by potentially volatile dollar holdings abroad.

The pace of economic progress of a large number of countries has been sluggish and unemployment has remained high. Likewise, inflation is still rampant; at the same time, however, inflation is, to a significant extent, the reason that the international debt service burden remains, in general, within manageable limits as compared to inflated current export receipts of many of the debtor countries.

In this connection, it must be emphasized that even the halting recovery we have experienced since 1974 would have been virtually impossible had world oil prices increased between 1976 and 1978 with inflation and the fall of the dollar; instead, the cost of oil in real terms has declined by perhaps 20 to 25 percent during this period—mainly because of the restraint exercised by Saudi Arabia with the support of Iran and of a few other OPEC members. Only because of this substantial reduction have we been able up to now to avoid a serious and long-lasting recession and to handle effectively the enormous problem of financing world oil imports and the so-called recycling of petrodollars.

In short, the period of declining real prices for oil is coming to an end, and may, within the not too distant future, be followed by an accelerating increase in real prices, with the timing dependent on the oil supply/demand relationship. As far as the importing countries are concerned, the only leverage they have is related to the level of their oil requirements as compared with oil availability. The former depends on their rate of economic growth and the success of their oil conservation measures. They find themselves between the Scylla and Charybdis of a slow rate of development with the risk of a recession and political instability, or a policy of sustained growth entailing the danger of an early oil shortage accompanied by high oil prices. Either course might bring about economic and financial turmoil with ensuing political instability.

Thus it would be dangerous to base future policy on the illusion that the financial issues centering around the oil problem have been successfully resolved, or to assume that because there has been no real catastrophe in the past there might not be extremely dangerous situations facing us in the future. In spite of our past successes in making the necessary financial adjustments—assisted by slow economic growth, high unemployment and excessive inflation in most of the importing countries and wasteful expenditure of part of their revenues by producing countries—the prob-

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

lems have not faded away like the Cheshire Cat in *Alice in Wonderland,* with only a grin remaining until that, too, vanished.

IV

Up to this point, we have been giving a current assessment of the central "market" factors for at least the past five years. The picture that emerges is disturbing enough, but our disquiet is bound to be intensified if we turn to a serious examination of the internal economic situations of the major producing countries in OPEC. Now, with five years of experience to judge from, it is high time for us to take this element of the situation into much greater account than we have heretofore. For, in the last analysis, the availability of oil from OPEC countries will depend not only on their judgment of supply/demand factors and of the state of their proven oil reserves, but also on their economic policies and on overall political considerations.

In particular, we will now review the progress and prospects of the economic development program of OPEC countries; and, because of the extreme relevance of this assessment for their future welfare, we will not dwell on other factors—such as inflationary pressures on their economy or political decisions related to, say, Arab-Israeli developments—which might also affect their future oil production policy. Nor will we deal with the ever-present contingency of a political upheaval in any one of the major producing nations, or a protracted oil workers' strike, or a serious accident or sabotage that would put essential oil facilities out of operation for a long time. Any of these events could upset the world's oil supply/demand balance practically overnight with potentially very harmful consequences for the prosperity of virtually every one of the oil-importing nations.

We must expect that sooner or later many producing countries will seriously question the value of much of their development program in terms of its potential contribution to their economic progress, political stability, employment, budgetary receipts, and foreign exchange income. Many of them will painfully realize that their industrial efforts could not possibly begin to replace the government and foreign exchange revenues that they have become accustomed to receiving from their oil production, nor provide them with a prosperous non-oil-based economy.

When confronted with a sudden huge influx of oil money, most countries immediately set out to prepare a program on how to make the best possible use of their newfound riches. They began to formulate an economic development plan, build up an infrastructure, provide exchange for imports for current consumption,

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

improve the welfare of their citizens and allocate more funds for military purposes. They also had to decide how much they wanted to retain for foreign investments and savings.

The challenge they face may perhaps most simply be described this way: during the relatively short period when they can count on a large flow of oil revenues, they have to develop an economy that can provide them with sufficient government revenues, foreign exchange income and employment for the period when the oil bonanza begins to peter out.

The preparation of a plan—and even more so its implementation—requires a great deal of time, and its feasibility and real value to the country depend on its ability to draw on the advice of competent experts. The magnitude of the problem OPEC has to cope with has been without precedent. Many of the countries are confronted with a very unfriendly environment for the creation of a modern economy: a hostile climate; lack of arable land, water, power and other resources; a high degree of illiteracy; a scarcity of managerial talent or experience; at best, a very small skilled labor force and, likewise, a shortage of available or socially adjusted unskilled labor. Inevitably, and in the best of circumstances, there was bound to be a lot of confusion, mismanagement, waste, lack of coordination within a country—and even more so within an area—and thus substantial duplication of effort.

Development programs were rapidly formulated, involving sometimes very costly projects of a prestige character but of dubious immediate value to the country, such as a huge atomic energy development program—apparently now being cut back—in one of the nations possessing enormous natural gas resources on which it could draw for a very long time. Coordination of industrial development, manpower needs, housing requirements, and water, power and transport availability was often—as one might expect during this chaotic period—by no means perfect.

The most immediate issue facing the producing countries in 1974 was to build up the port and transportation facilities in order to accommodate the vast increases in consumption and in imports for development purposes that were triggered by the oil bonanza. This has more or less been accomplished—albeit at a very high cost—resulting partly from the speed with which these projects were undertaken. There was some large overexpansion of port facilities and airports both because of lack of coordination and national prestige considerations. Certainly inexperience and other cost-increasing factors also contributed, but this was almost inevitable considering the amount of money available and the rate at which it was spent. At the same time, educational, training and

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

health facilities were ordered, frequently without regard to the staffing problems, level of possible utilization or future cost of operation.

We do not intend to go into a country-by-country review or a specific project analysis. Much went right and much went wrong, and there is no point in presenting a catalogue of specific successes and failures. Many of the difficulties and dilemmas posed could not have easily—or sometimes even possibly—been avoided, given the unprecedented nature of the problem, and the political and social circumstances as they exist in the separate countries. These observations apply, of course, in varying degrees to the different OPEC nations.

Three fields of special interest to the producing countries are forward integration from crude oil production into refining, producing at least commodity petrochemicals for export, and tanker transportation. Even though the investments are large, the value added is relatively small, and the employment provided is somewhat limited. In addition, there is a locational and transport disadvantage for exporting refined products in comparatively small tankers versus crude oil in supertankers. Just as the number of citizens directly and indirectly engaged in their country's oil operations is relatively small, the part of the population that would benefit directly from the oil bonanza as employees or as providers of equipment and services for the oil industry is relatively limited. And the creation of a specially privileged class of those connected with the industry would of course create other problems, such as setting wage or profit standards for other economic or agricultural activities that such undertakings could not possibly sustain.

Between 1973 and 1977, OPEC's growth in refining capacity has been less than the increase in domestic demand; and, excluding Venezuela, exports of refined products are only about five percent of crude exports. However, by 1985 another 3.5 million barrels per day of refining capacity has been scheduled for completion. Likewise, the buildup of large new petrochemical facilities is underway or contemplated. In addition, obvious fields for investment that are being pursued are energy-intensive industries such as aluminum and steel.

The main problem confronting OPEC here is, of course, the current surplus refining and petrochemical capacity in many of its markets, coupled with the need to overcome the construction, operating cost and transport disadvantage of OPEC's new facilities by below-market pricing of crude or feedstocks and by cheap financing. The OPEC tanker fleet—still relatively small—will undoubtedly increase substantially, but it faces the problem of a world

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

surplus tanker capacity. At the moment it requires heavy subsidies. However, the desire of the producing countries to upgrade at least some of their crude oil themselves is perfectly obvious and understandable. As the Kuwaiti Oil Minister put it, "Investment should be considered not purely from the commercial point of view, but from that of the economic and social profitability for the nation, especially in the long run—and also as part of the social costs as a means of filling the technological gap and widening the industrial base." Accordingly, OPEC, as the world's major crude supplier, will somehow be able to export refined products and petrochemicals, and also to utilize its tanker fleet. But this can most likely be done only at some financial cost either to OPEC or to the importing countries or to both, and presupposes constructive cooperation between the two parties.

The problem of launching an effective economic development program has been immensely aggravated by the inevitable and huge pressures on the governments to improve the economic well-being of their citizens almost immediately after the dramatic increase in the flow of oil revenues. A policy of gradual change in accordance with the rate of economic progress would—in the light of the high expectations raised—be politically and socially very dangerous, if not impossible. But rapid movement toward a welfare state would in due course have equally destabilizing and harmful effects.

As the government owns all of the oil revenues, it is the public sector that would have to provide the financing, not only in the proper field of governmental activities—such as for the build-up of an infrastructure—but also for most of the development projects. These would then either be government-owned or in some form or fashion be made available, fully or in part, to private owners—usually on favorable terms and frequently only to a small select group. At the same time, the government has to engage in activities that would improve the welfare of its citizens at large. This would be achieved by direct or indirect transfer payments to its nationals—such as paying for their education, their health services, subsidization of housing, food and other necessities of life.

In some instances, in order to "spread the wealth," the government in fact made land available cheaply or without cost to its citizens, land which would either increase substantially in value or which the government would buy back at higher prices. In all these circumstances, it was inevitable that most of the countries would be plagued by rampant inflation, further increasing the cost of the government's welfare and development program.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

There has also been an explosive increase in the employment—amounting in the millions—of foreign skilled and unskilled labor, needed in practically all phases of economic activity, which has not only brought social and political problems, but has also involved large remittances of several billions of dollars per year to the expatriates' home countries.

It should surprise nobody that, during this period of hectic chaos, there was a mass movement to the main cities from the outlying areas and villages; that agricultural production could not keep pace with increases in demand, and frequently even declined; that many traditional industries suffered; and that imports of all kinds of consumer goods expanded at explosive rates.

All this was accompanied by a building spree of unheard-of dimensions, frequently uncoordinated with available water, power, and sewage facilities and often providing luxury or high-rent accommodations. In many urban areas, there is still a huge shortage of housing for the poor—with the large original slum population swollen by the new inflow of people in search of the "good life" in the cities. Rental costs have often reached fantastic levels.

Equally, with billions of dollars spent on the establishment of educational and health facilities and on the buildup of a modern military force, the government must be prepared to maintain and operate them after their completion. And the annual operating and maintenance costs may well amount, for an indefinite future, to one-quarter to one-third of the initial construction cost. Already, some of the countries have to cope with budgetary and foreign exchange deficits.

The point at which individual oil-producing countries will be confronted by a decline in oil production and revenues differs, of course, among the various oil producers, depending on their level of production and the richness of their hydrocarbon resources. Saudi Arabia and a few other producers have sufficient reserves to give them ample time for slow adjustments to this post-oil period, and they can absorb a large amount of an at least partially inevitable waste of their financial endowments. Many others are not in such a fortunate position.

But all of them have to cope with the political and social problems that have been posed by this vast inflow of money: the feverish rate of development; the negative impact on agriculture and traditional industries; their increasing dependence on subsidies for imports, or for industries providing domestic substitutions; the unhealthy urbanization; the excesses of a building boom; the large influx of foreign labor; inflation; the lopsided distribu-

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

tion of wealth; and many other politically and socially destabilizing factors. They will all realize that rapid and forced development tends to weaken, if not destroy, established social and cultural values, and mostly without replacing them by new ones. Sooner or later there may be a wave of disappointment, frustration and resentment, most likely directed largely against the foreigner and the producing countries' national governments and their institutions. The present turmoil in Iran is indicative of what may lie ahead.

To sum up, since 1974 OPEC government revenues, which coincide with most if not all of its foreign exchange income, have amounted to some $550 billion. An estimated $400 billion may have been spent on goods, services, military expenditures, and so on. The value received on an OECD cost basis would appear not to have been more than perhaps some $200 to $300 billion.

For example, the capital projects of the oil-producing countries cost—for a number of reasons—around two to three times as much as competing facilities located in developed countries. They involve, as of 1976, an estimated "locational premium" for a project in Arabia as against the Texas Gulf Coast ranging from 2.1 times for industrial construction to 2.8 times for military establishments; the ratios for electrical power generation, housing and hospital construction costs are estimated in the same range. These figures take into account factors related to ensuring comparable performance, as well as transportation costs, delays due to bottlenecks, extra service fees, expenditures for housing, sewage, and procurement of expensive foreign labor and management. Many enterprises are also burdened with a substantial additional accommodation or, if you will, "under the table charge," which may vary roughly between five and 20 percent of the amount of the contract, depending on the "political" situation and the nature of the project. Likewise, the operating costs for such projects—because of locational disadvantages, lack of supporting services, foreign labor, etc.—are substantially higher than those incurred in OECD countries.

However, even after the oil age has passed, many of the OPEC countries will still have to depend on substantial government revenues and foreign exchange income. This poses another problem inherent in the character of the large rent on crude oil that the countries are able to command as a result of the OPEC pricing policy. For each one billion dollars received by OPEC for its crude oil exports, perhaps $900 million accrue to the country as government revenue, and are obtained, moreover, in the form of free foreign exchange.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

In contrast, for a usual industrial development project with an output of one billion dollars, the government tax authorities—provided that an effective tax system is in place—might collect in direct taxes on the industry no more than $50 million. The foreign exchange income to the country depends on its receipts from exports which, in turn, are contingent on its competitiveness in world markets, and its cost for foreign raw materials, semi-finished products, and part of the expense of any foreign labor that might be needed. However, as we have mentioned, quite a number of projects—because of the high level of construction and operating costs, and the expenses of transportation to more distant markets—are most likely noncompetitive in world economic terms and might be unable to operate profitably, once a continued flow of oil money or a below-market-price supply of energy or feedstocks is no longer available to subsidize operations. Under such conditions export revenues could, at best, be only a small fraction of that obtained previously from oil exports.

At the same time, the operation and maintenance of ports, transportation, health and educational facilities, the upkeep of a modern military force, and the support of a welfare economy in quite a number of these countries will become an ever-increasing budgetary drain on a prospectively much lower level of government revenues.

According to a recent survey of the London-based Economist Intelligence Unit, of all the Persian Gulf countries, only Iran, Iraq, Oman, Bahrein and Dubai might potentially be able to build up credible non-oil-based economies—and, except perhaps for the last two, only if there is a massive shift in their development philosophy and policy.

The odds at this time are that when the oil revenues begin to peter out, a number of the OPEC countries will find themselves not too much better off than before—like Spain, after it had been inundated by gold and silver from its Latin American empire in the late sixteenth and early seventeenth centuries. As the Controller General of Venezuela pointed out in December 1975, "In many countries, being rich is a consequence of the efforts and work of the people. When you make something you can manage it. The creation of wealth and its management are part of a process. We have never had such a process. The wealth came out of the earth. We have a consequence without a cause."

It should be noted that not only oil-rich developing countries, but also those few developed nations that have been suddenly endowed with an oil or gas El Dorado—such as the U.K., Norway and Holland—might be easily tempted to dissipate their oil reve-

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

nues. In this vein, the head of the Dutch Central Bank has described the economic effects of his country's income from natural gas as "a curse in disguise."

What does all this imply for future OPEC oil exports and prices? Confronted sometime in the future with declining oil production and revenues, producing countries will realize that the rate at which they exploit their oil resources and the allocation of their oil earnings will become increasingly critical—as, for example, among welfare, development of agriculture and internal industries, production for exports, and foreign investments. Many of them will question whether they can really establish a self-sustaining non-oil-based economy and inevitably consider the alternative of slowing down their development program, as well as possibly "welfare" expenditures and military purchases. This would enable them to stretch their oil reserves by producing less, and to sustain the future viability of their economy as much as feasible through an increased flow of revenues from foreign investments. Kuwait has in fact been doing this by putting a ceiling on its production and establishing a "Fund for Future Generations" derived from 10 percent of all its government receipts. The present unstated policy of providing adequate production for the world's needs at manageable prices would then be replaced by one of lower production at higher prices.

In such a situation the importing countries—at least during the adjustment period—would have no choice but to continue essential oil imports at high prices, rather than curb their receipts drastically with a sudden crippling effect on their countries' economies. The continuous stringency of oil supplies and their high cost would be bound to cause most serious economic and political problems for developed as well as developing countries. Moreover, for the industrialized nations—which have greatly benefited from the vast expenditures on development projects and military equipment by OPEC countries—a reduction in the purchase of goods and services and an increase in the funds allocated to foreign investments would be very harmful; during a period of sluggish economic growth and high unemployment, it would further impede their chances for recovery.

In addition, the outflow of interest and dividends on much higher OPEC foreign investments in importing countries could, within a number of years, approach and even exceed the inflow of new OPEC funds. The early relief for the balance of payments of oil-importing countries would thus become increasingly less.

For many OPEC countries, such a change in current development policy might not be possible without economic and political

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

upheavals. And for some of the poorest non-OPEC LDCs—which in 1977 provided Middle Eastern oil countries with a labor force of some 2.5 to 3 million foreign workers, transmitting nearly $5.5 billion to their homelands—a severe reduction in emigrant remittances coupled with the higher cost of oil imports and a general slowdown of economic growth would be a devastating blow.

A change such as indicated here in OPEC's oil production, development and foreign investment policy, would obviously take place gradually and also would not apply with equal force to all of the OPEC countries. The damage to their own economic systems and political stability, and the effect on the prospects of importing countries and their cooperative relationships with each other and with the OPEC nations, makes it imperative for them to proceed with caution and concern for the future well-being of all parties concerned.

In spite of the huge inflow of oil money, only three or four years after the start of the oil bonanza, some OPEC countries have already incurred an increasing foreign exchange deficit on their current account and are unable to balance their internal budgets. This will inevitably force them to take a hard look at the level and effectiveness of their expenditures for development and possibly for military purposes, and also to calculate the potential optimum level of their oil revenues. They might well decide that they cannot afford to ignore their more urgent interests even though it would detrimentally affect the prosperity of their Western customers—and would, of course, also be harmful to them.

V

It is not easy to formulate, in light of all these factors, a rational policy for the industrial democracies that would also take account of the legitimate vital interests of the OPEC countries.

An energy policy for importing countries must be based on realistic assumptions somewhat weighted on the prudent side. The price for being too optimistic about the availability of oil supply, and thus facing a serious shortage at an early period, would be economically and politically destabilizing. The cost of being too pessimistic, on the other hand, would at its worst involve the misdirection of some resources, or a loss of interest on capital spent earlier than necessary. It would thus be much better to pay the smaller additional expense of doing too much too early than risk the enormous cost of doing too little too late.

What seems clear is that we have not as yet succeeded in establishing an effective energy policy for the oil-importing coun-

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

tries to cope with the supply and economic-financial problems with which they are likely to be confronted, nor have we succeeded in making a constructive contribution to what presently appears to be, at least in part, an ineffective development effort of the oil-producing nations. What is needed is a common major endeavor, that would include the oil-importing and exporting countries to engage in a critical evaluation of what went wrong and why, and then attempt to formulate a constructive national and international policy and an agreement on its subsequent implementation.

Oil is a finite resource whose depletion is in sight. In spite of temporary current surpluses, it is vital that a maximum effort be made to provide as early as possible for its gradual replacement. The consuming countries, with the United States in the lead, must thus set as their most important goals the further improvement of the energy-GDP ratio, establishment of optimum conditions for the expansion of traditional sources, and the development of large dependable new energy supplies. Taking for granted a relatively high and increasing energy cost at least during a transition, there is, I believe, a reasonable prospect that in due course we will be able to bring production costs down or, perhaps, stabilize them. Such a development may be achievable through concentrating on conventional atomic, breeder and—perhaps later—fusion energy. This whole effort should involve a more effective coordination than has yet materialized with the Europeans, Japanese, and others.

The question must also be asked whether it is really in the interest of the oil-importing countries to put undue emphasis on the availability of ample supplies of oil at low prices, as this would inevitably, within a relatively narrow time span, be followed by shortages of oil with a price explosion. Any freeze of current oil prices, or even more so their reduction, would particularly affect all endeavors to develop non-OPEC-based energy resources, be they oil or non-oil-based, as such efforts will be very costly.

We have a wider national and international interest in an energy price that is high enough to encourage the optimum development of new traditional as well as nontraditional energy resources—even though this could and does in fact represent very serious financial and balance-of-payments burdens, as well as a troublesome impediment to economic growth worldwide.

We also need to rethink our policies toward the developing OPEC countries. Up to now we have mostly accepted without question, even when wasteful, their desire for rapid development and large military expenditures. After all, this has been of great economic benefit to the developed world and has enabled it to

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

cope with the petrodollar problem. But the balance of factors is moving in the direction of change, based on the declining physical availability of oil and an incipient realization on the part of producing countries that they need to revamp their development programs, the awareness that they might have to stretch their oil resources and revenues, and that they could in the post-oil future become substantially dependent on revenues obtained from their foreign investments. None of this is, of course, absolutely certain to happen, but no responsible nation can afford not to plan for such a contingency.

What is needed, therefore, is a candid exchange of views with OPEC on the goals and practicability of their development programs, even though we may run the risk that they would interpret any advice or guidance we offer as another manifestation of neocolonialism. In particular, we must try to engage them in serious discussions as to which enterprises make sense, and must be willing to assist them constructively in developing as many industries offering the prospect of economic viability as they can handle, by providing them with technology, managerial talent and access to markets. Obviously, such an effort can only be pursued with any chance of success on the basis of a consensus among OECD countries and a coordination of their policies which, because of the intense competition among the developed nations for Middle Eastern business, might be very difficult indeed to achieve. But it is absolutely essential that selfish national interests not be allowed to undermine a common and balanced approach to the range of problems that confront us.

Any such policy would have its costs and would undoubtedly involve a substantial throttling back of OPEC programs. It would result in a slower but more sensible development program, which would ultimately be in everyone's interest. We cannot afford to ignore the fact that political unrest, labor strife, and social and cultural disintegration would be as threatening to the stability of OPEC nations as they would be to a secure and uninterrupted flow of OPEC's oil to importing countries.

There are undoubtedly very difficult times ahead. Up to now we have not fully evaluated our own and OPEC's vital concerns, nor have we resolved various conflicts of interest inherent in the issues we face. In any case it seems certain that we must adjust ourselves to a period of slower economic growth, which we hope will provide us with the time and opportunity to develop an energy base for the future without endangering in the meantime the non-communist world's economic and political system.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

We cannot much longer afford a situation in which the importing countries waste a substantial part of their energy while the producing countries waste a substantial part of their oil revenues. In the past we have too often been stymied in our efforts to cope with these problems by entrenched national or private interests on all sides. If we should ultimately fail, this period in our history could truly be characterized as "the years that the locust hath eaten."

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Louis Turner
James Bedore

THE TRADE POLITICS OF MIDDLE EASTERN INDUSTRIALIZATION

The essential difference between rich and poor nations (say the less-developed countries) is the percentage between the purchase price of an ounce of raw cocoa in West Africa and the selling price of a Hershey bar in New York (or, indeed, Accra). The poor nations get only the fluctuating price of the raw commodity, determined by outside buyers. The rich countries receive the value added by transporting, manufacturing and packaging the commodity into an end product, along with all the jobs and industry created—from shipbuilders and wax paper manufacturers to advertising agencies.

Poor nations naturally wish to produce the candy bar in West Africa, near the source of the raw material that makes it all possible. Developed countries say this doesn't make economic sense; they have invested huge amounts of capital in shipping lines and chocolate factories; they already have the necessary trained tasters and candy-wrapping work force, and can do the job better than the poor nations ever could. The Third World replies that the developed countries—grouped in the Organization for Economic Cooperation and Development (OECD)—control this whole industrialization/manufacturing process and that the LDCs must break into it if they are ever to gain higher living standards and some economic independence. At issue are all the concerns of industrial and trade politics: the transfer of technology and capital, surplus productive capacity in Western industries, access by LDCs to OECD markets, jobs, tariffs, protectionism, economic autarky or dependence, self-esteem, power.

Louis Turner and James Bedore are members of the Research Staff at the Royal Institute of International Affairs (Chatham House), London, working on a project on Middle Eastern industrialization that is being financed by the Ford Foundation. They will publish a book on their findings in 1979, under the tentative title, *Middle Eastern Industrialization: The Saudi and Iranian Cases.* Louis Turner is author of *Oil Companies in the International System,* as well as *Multinational Companies in the Third World,* among other works. James Bedore has worked on problems of development in Africa, Asia and the Middle East, both in a public and private capacity, and served as a consultant to the Saudi Arabian government in 1974–76.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Now, for the first time since the breakup of the old colonial empires and the reemergence of Japan as an industrial producer after World War II, a group of less-developed countries in the Middle East and North Africa are moving to break into this industrialization cycle. Their weapon is not chocolate but their huge resources of oil and natural gas. Rather than simply shipping crude oil to the West and Japan, they are attempting to move downstream to produce and export refined petroleum products and petrochemicals—the basis of items from synthetic fibers, fertilizers and plastics to rubber and pharmaceuticals. Gas is not only important as an energy source and chemical feedstock, but is also the basis for new methods of steel-making and aluminum and copper smelting.

Thus, in the fall of 1977, Libya brought a methanol plant on stream and the Organization of Arab Petroleum Exporting Countries (OAPEC) opened its Arab Shipbuilding and Repair yard in Bahrain. In the spring of this year, Saudi Arabia started up a lube-oil plant in Jeddah, Qatar inaugurated a steel mill, and the Iranians saw the opening of a copper smelter, a fertilizer plant and a significant extension to the Abadan refinery. By early 1979, a further wave of projects should either be on stream or on the verge of completion: steel ventures in Iraq and (quite extensively) in Iran; aluminum in Iraq and Dubai; more fertilizer plants in Qatar, Iran, Algeria and Egypt; and huge petrochemical ventures in Algeria and Iran.

With the exception of the Libyan, Iranian and perhaps the Algerian projects, none of these is designed for the export of significant quantities of products to the OECD world. Both Saudi Arabia and Iran, however, have on the drawing board a number of giant petrochemical complexes and refineries that will clearly look to the industrialized economies for much of their markets. There is thus growing concern that the current wave of Middle Eastern industrialization—now primarily of regional importance—will prove the forerunner of a later wave of projects that will be aimed at world markets in the 1980s. Is this likely? What are the policy implications for both the industrialized and oil-producing worlds as the latter strives to become a world force in oil- and gas-based industries of the 1980s and beyond?

We concentrate in this article on Saudi and Iranian ambitions in petrochemicals and refining, on the grounds that these are the two leading oil producers within OPEC, and that it is within these two chosen industries that the Saudis and Iranians are most likely to emerge as significant exporters of industrial products.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

II

There is an impressive list of corporations seeking to help these countries enter such industries. Mobil and (U.S.) Shell are joint front-runners—each is to construct an ethylene-based petrochemical complex and oil refinery with the Saudis.[1] Other U.S. companies involved in planning chemical or refining ventures in Saudi Arabia include Exxon, Chevron, Texaco, Celanese, Texas Eastern, W.R. Grace and Dow Chemical. European companies have generally been conspicuously uninterested in such ventures with the exception of some minor chemical projects in Iran. Otherwise, it is the Japanese who are the main corporate players. Mitsubishi is currently considering two separate ventures in Saudi Arabia (one in conjunction with C. Itoh), but it is Mitsui that has proved the bravest of all these companies. Its joint venture with Iran's National Petrochemical Company has actually started constructing a petrochemical complex at Bandar Shahpur, which in size and number of products is notably more ambitious than any of the other projects under consideration by OECD-based corporations. Finally, by way of setting the scene, Taiwanese interests are seriously considering a joint venture with the Saudis to produce fertilizers.

At first glance, the logic of placing such plants in the Middle East seems very clear. Vast amounts of gas there are currently flared for want of anything better to do with them, so it would apparently make sense to take this free resource and use it as a feedstock for turning into petrochemicals such as ethylene. Similarly, as world oil markets tighten, turning crude oil into higher value products in the producing country seems a logical step. The Saudi Minister of Industry, Dr. Ghazi al-Qusaibi, recently put the argument this way: "The world is at present witnessing an historic and fundamental transformation in the field of energy-intensive industry. In the past energy went to industry. Now, when energy is running short and prices have risen, industry is going to energy. It is no longer acceptable for us to export energy and have it come back to us in manufactured form at an exorbitant price. But it is logical for the processing of energy to be carried out in our country and for us to be partners in the processing operation."[2]

[1] We have not assumed any specialized knowledge of the chemical industry by our readers. The projects we are discussing all involve taking Middle Eastern oil and gas and converting them into oil products or base chemicals, such as ethylene, benzene or methanol, which can eventually be turned into products such as plastic pipes, paints or synthetic rubber. Those wanting a detailed list and analysis of the relevant projects should consult Louis Turner, "Heavy Industry," in *Middle East Annual Review 1979*, Chicago: Rand McNally, Fall 1978. This article lists 110 of the most important refining, petrochemical and metal-processing projects in the Middle East and North Africa.

[2] *Middle East Economic Survey*, Supplement, May 8, 1978, p. 4.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

The corporations who are potential partners in such industrialization would be delighted if they could also perceive the immediate real world as simply as that. In practice, we are struck by the extreme caution with which all the companies—with the exception of Mitsui—are moving in their negotiations with the two Middle Eastern governments. Certainly, they are all involved in detailed feasibility and pre-engineering studies; what they are proving very shy of is actually committing themselves to start building any of these projects. Some of these delays stem from simple negotiating uncertainties—the Saudis, for instance, are still not too explicit about the exact price they will charge for the gas needed by these industrial projects, nor is it entirely clear under what circumstances the foreign partners will be supplied with guaranteed amounts of crude oil as an added incentive to involve them. Most of the corporations' reluctance, though, stems from the fact that short- to medium-term economic realities do not favor the kind of switch in the location of hydrocarbon-based industries which the oil-producing nations expect.

To put it bluntly, at this point in time the generation of export-oriented projects we are discussing is of questionable international competitiveness. If we look into the mid-1980s, we can see circumstances in which selected projects might be marginally profitable by the criteria the Saudis are setting themselves. It is rather more difficult to see the Iranians becoming internationally competitive during the coming decade—especially as they will be working under tighter financial constraints than the Saudis, and thus will have less freedom to subsidize the construction of major capital-intensive projects.

The economic arguments can be put quite simply. Of the six most important variables that will affect the ultimate profitability of such petrochemical and refining projects, four are currently working against the Middle Eastern states. In descending order of importance, these are: until well into the 1980s, there is going to be considerable overcapacity in large parts of the world's petrochemical and refining industries, thus making it an extremely risky proposition for any corporation to start construction today on a plant that will come on stream in, say, 1983 (when Mobil's ethylene complex is officially planned to begin); construction costs for plants run relatively high in the Middle East as compared with costs in Europe or North America; operating costs will be relatively high until expensive Western and Japanese expatriate managers can be replaced by equally reliable indigenous or Third World managers; and, finally, since the Middle East is remote from

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

industrialized markets, transportation costs will be an added, if relatively unimportant, burden.

Against these disadvantages, both Saudi Arabia and Iran can offer assured supplies of relatively low-priced oil and gas; in the Saudi case, the authorities can also offer capital at interest rates well below world levels. Prospects are that the bigger foreign partners will be borrowing as much as 60 percent of their capital needs from Saudi sources at a minimum of three percent per annum. Second, while neither Iran nor Saudi Arabia has a desire to become a "dirt haven" for huge, aesthetically displeasing and potentially dangerous refineries and chemical plants, large, lightly populated industrial sites are available in both countries. Thus, environmental problems that have played havoc with industrial site expansion in the OECD countries should have only minimal impact in the Middle East.

The worst problem—marketing the products from these plants in the 1980s—is not one facing the Middle East alone. It will, however, affect the enthusiasm with which foreign partners are willing to commit themselves to construction, since the companies will ultimately be responsible for placing the products from these ventures on world markets. However, it is the interplay of the other variables (construction, operating, transportation, feedstock and capital costs) that will determine whether the Middle East really is the natural location for the generation of export-oriented, hydrocarbon-based industries planned for the coming decade. The trouble here is that the level of construction costs (which, coming early in a project's life, are weighted heavily by any discounting technique) is difficult to assess; there have been no equivalently sized plants built recently in the Middle East by foreign partners whose equity stake gives them a lot to lose if costs get out of control.[3]

[3] We are therefore thrown back on untestable assertions from a number of sources. At one extreme, there are planners in Saudi Arabia who suggest that it will eventually be possible to keep construction costs down to 30–35 percent above those of a similar plant on the U.S. Gulf coast. On the other hand, we have heard executives in one of Saudi Arabia's potential foreign partners blithely concede that the construction bills for their particular venture will come out at least double those they would have to pay for a similar plant in the United States. Perhaps the most usable estimate comes from an executive in another corporation who argues that, if one assumes one could build a Saudi and U.S. project in the same time, then the Saudi project would cost some 35–40 percent more than the U.S. one, due to design changes and the transportation of components; he also argues that a company would expect construction in Saudi Arabia to take at least 25 percent longer than in the United States.

We have worked on these two assumptions, have kept inflation rates constant between the two countries (this is unrealistic, but the differential movement of inflation rates is too difficult to handle here) and have assumed that the investments have been funded by borrowings in the Eurobond market. The ultimate conclusion is that a Saudi petrochemical plant coming on stream would cost its builders some 50 percent more than a similar one in the United States; if the bulk of it is funded at

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

On balance, we believe that the construction problem disadvantages are not so great that they cannot be substantially negated by a combination of cheap loans and cheap feedstocks (most negotiations seem to be settling round a demand of 35–50 cents per million BTU for gas supplies, which is under a fifth of what U.S. consumers are being asked to pay, c.i.f., for imported Algerian gas). We are not totally convinced, however, that policymakers in the two Middle Eastern countries concerned have fully faced up to the scale on which they will be required to use gas pricing as a subsidy to render these industrial ventures more viable. However, assuming they do write off the huge infrastructural development costs, provide cheap gas, and, in the Saudi case, throw in entitlements to a few hundred thousand barrels a day of crude oil on the side, then we are fast approaching the day when the first major foreign partner with the Saudis announces that it is willing to start construction on one of the petrochemical complexes under consideration.

At that point, we would not expect all the remaining foreign corporations to rush to the construction stage themselves. For one thing, with plants of this size, the construction of one temporarily spoils the market for succeeding projects, so that corporations try desperately not to construct such plants simultaneously. Second, these are truly major construction tasks, and however much the Saudi infrastructure is improving, the spreading of the construction load will be desirable for purely logistical considerations.

To sum up the Saudi prospects, we think they will be doing well if their first ethylene complex comes on stream by 1985, with the second one beginning operation a couple of years later. Further ethylene-based activities may have to wait until the 1990s. We would not be surprised, however, to see the construction of two or three other major projects under consideration (say, one of the methanol plants and one of the export refineries) in the short-term future.

Iranian developments will be less dramatic as far as world markets are concerned. In the early 1980s, Iran will be forced to export because it will take two or three years from the completion

---

the three percent interest rates the Saudis are offering for a good part of the foreign partners' share, then it should cost about a third more than the U.S. equivalent. We would judge that this 30–50 percent Middle Eastern "construction factor" is about the target at which the foreign partners will aim with the first generation of giant plants in the area. Not all these corporations will succeed in keeping costs down to these levels, but the difficulties of building plants in extremes of heat should not be overestimated. The port delays and other infrastructural bottlenecks have evaporated fast; plant constructors are experimenting with techniques that reduce the need for skilled construction workers on site (one Iranian gas liquefaction project considered a floating plant); and, in contrast to regions like the storm-ridden North Sea or Alaska, it is possible to work throughout the year.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

of the Mitsui-Iranian complex before investments in the necessary downstream processing plants will allow the fast-increasing domestic Iranian demand to absorb the bulk of this complex's products. Mitsui is committed to marketing this temporary surplus. From then on, given its relative (by Saudi standards) shortage of capital and large domestic market, it is an open question whether Iran will be a significant net exporter of chemicals during the rest of the decade. Its planners seem to be fully aware of the alternative uses to which gas can be put, and the petrochemical industry will thus have a harder fight than its Saudi counterpart to get gas at concessionary prices. Again, their plans for exports will inevitably be affected by how they see Saudi plans developing.

Finally, the Iranians will be unable to offer the kind of financial inducements to the foreign investor that the Saudis currently do. One suspects that if any further major export projects do get off the ground in Iran during the 1980s, they will do so because a government like the Japanese (which still has its eyes on a joint Iranian-Japanese export refinery on the Gulf sometime in the early to mid-1980s) decides that its wider interests in Iran would be helped by the construction of an economically marginal plant.

III

The fate of these projects does not just turn on economics. There are very strong political considerations as well. The governments of the oil-producing states, for instance, feel that they must industrialize, whether for reasons of development, security or national prestige. Remaining as mere exporters of unprocessed crude oil is politically intolerable when it is technically feasible to build sophisticated industries on oil and gas feedstocks. Furthermore, they know that if they cannot make a success of such refining and petrochemical industries, then they will probably never succeed in any industry at all. But they believe they must make a success of such industrialization; one day their oil will run out and their fear is that without an industrial structure in place waiting for that day, their countries will revert to poverty.

Most OECD governments are fully aware of these considerations, and have reasons of their own for encouraging such projects, which can only help OECD economies by encouraging the oil producers to recycle their oil income into ventures that offer jobs to work forces from the OECD world.[4] Again, national authorities see gains in having some of their own corporations involved with

[4] We ignore the fact that countries like South Korea have been winning a share of Middle Eastern construction jobs.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

these Middle Eastern products; in a time of rapid economic flux, companies with a good track record of serving the Saudis should be well placed for the era in which Saudi oil makes up the world's largest source of production. All this holds particularly true for the Japanese, who are heavily dependent on Middle Eastern oil and have a long history of concern over their dependence on imported commodities. It is no accident that the largest Middle Eastern petrochemical venture actually going ahead has a Japanese company as the foreign partner.

The multinational oil companies are also only partly motivated by short-term economic considerations. They know that their power to produce, transport and sell crude oil will continue to diminish as state oil companies grow in knowledge and experience, and that, however fast they may seek to turn themselves into mineral or energy corporations, oil will remain the heart of their business until well into the 1990s. The name of at least part of their game remains getting access to crude; they are even more aware than governments that Saudi Arabia's pivotal role will grow, not decline. If one way of gaining the goodwill of Saudi Arabia and other leading oil producers is to help these countries industrialize, then so be it. The corporations are not going to throw money away, but will simply be rather less rigorous in their short-term calculations about profitability than they would be in many other parts of the world, particularly as the Saudis are willing to sweeten the incentive by offering guaranteed access to a daily quarter- or half-million barrels of oil, even if at world prices. When the world's oil supply again tightens, the company with access to such guaranteed supplies will have a tremendous advantage over competitors.

All of these factors make it likely that economic considerations will be modified quite heavily by the political perceptions of the relevant actors.

IV

What are the policy implications stemming from the desire of oil-producing states such as Saudi Arabia and Iran to become major industrial powers?

At the superficial level, it might appear that there can be few objections to such countries building a few capital-intensive industrial plants. Every extra billion dollars spent this way makes an added dent in the fast-falling petrodollar surplus and contributes to world monetary stability without adding to the world's supply of armaments. A further, more Machiavellian, consideration is that the bulk of the petrochemical projects will run on natural gas, which, in turn, is generally produced in conjunction with crude

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

oil. The result is that cutbacks in crude oil production will at some point lead to such a shortfall in associated gas production that dependent industrial projects will be crippled. Kuwait already has this problem, given the amounts of gas used for desalinization, electrification, etc. Each new project in Saudi Arabia and Iran thus reduces these countries' ability to slash oil production drastically in some future political crisis without affecting the rest of their economies.

Against these gains for the OECD world's peace of mind, at least one genuine security issue is involved that needs some consideration, namely, that the kind of OPEC-OECD trading patterns established by such investments will be much more inflexible than the current trade in crude oil. Thus, the potential disruption to OECD economies from any future breaks in trade flows from the OPEC world will be increased. The OECD world was able to mitigate much of the effect of the 1973 Arab oil embargo because crude from different sources is relatively substitutable, thus allowing the oil companies to switch sources. Petrochemical plants, however, are much less flexible, and flows of intermediate products are much more rigid. (These come nearer to the pattern of liquefied natural gas flows, where LNG from a liquefaction plant will be tied to a particular receiving terminal for, say, 20 years.) The new trading pattern would then be such that OECD policymakers will find it relatively hard to plan defensive measures against supply disruptions, as they have done for the crude oil market through the International Energy Agency. On the other hand, this is a problem that can probably be discounted for the 1980s, since flows of chemical and refined oil products from the Middle East are still going to be only a very small percentage of crude oil exports. If there is any exception to this generally complacent judgment, it could be for Western Europe.

V

Here we come to the nub of the problem likely to be caused by Middle Eastern export-oriented industrialization. The West Europeans are going to be the prime recipients of the products from such ventures, and it is by no means clear that they will be willing to give such products the unrestricted access Middle Eastern policymakers have tended to assume they will get. Indeed, one can go a step further and argue that the United States will be a proportionately heavy gainer in comparison with the West Europeans, and that to some extent the latter may be asked to accept burdens which, though bringing benefits for the OECD world in

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

general, can be seen as particularly rewarding to U.S. corporate and strategic self-interest.

There are three main reasons why the United States will gain relatively heavily from Middle Eastern, particularly Saudi, industrialization. First, the potential partners include a very strong delegation of U.S. companies. The motives of Aramco's ex-parents need little elucidation. They have good relations with Saudi Arabia, which is going to be the key oil-producing state until the day the world runs out of conventional crude oil, and helping the Saudis with their industrialization plans merely increases the chances that they will be looked upon favorably in any future shake-ups in Saudi oil policy.

Second, change was bound to come anyway to the U.S. petrochemical industry as indigenous supplies of cheap North American gas become less plentiful. Finally, these gains can be achieved with very little direct economic disturbance. The distances involved mean that relatively few of the products generated in the Middle East will in fact find their way back across the Atlantic. The bulk of these products will go to Western Europe and the immediate Middle Eastern region, providing U.S. diplomatic and commercial benefits without arousing the ire of any significant domestic interest group.

The Japanese undoubtedly see their involvement in such projects as an important way of increasing their economic penetration of oil-rich Middle Eastern economies and of reassuring themselves that, in any future oil shortage, they will be sufficiently guarded against discrimination. Thus the Japanese government stepped in with financial assistance when the Mitsui joint venture in Iran looked as though it would not get off the drawing board. Even more dramatic was the speed with which Mitsubishi was pitched back into the Saudi fray after deciding that the ethylene complex it was considering was going to be uneconomic. The Japanese business and government establishment clearly decided that Mitsubishi's withdrawal would do so much damage to Japanese interests in Saudi Arabia that it could not be allowed to occur.

The Japanese do, however, have a marketing dilemma. Although the distances are relatively long, one would expect their corporations to bring products back to Japan and the East Asian economies—but there are countries along the way, such as Singapore, which also intend to become petrochemical powers and which the Japanese, for both commercial and regional reasons, do not want to offend. The result has been that while both Mitsui and Mitsubishi must have been considering Southeast Asian markets

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

for the products from their Middle Eastern ventures, Sumitomo got official Japanese backing to build a competing complex in Singapore. This suggests a slight touch of uncertainty about Japanese policy which the casual observer might miss. Very definitely, all eyes must be on Mitsui, which has ventured ahead of Dow Chemical and the oil giants of the world by irrevocably committing itself to proceeding with its Iranian joint venture. Commercially, this must make it the most exposed corporation of the Middle East.

It is when we turn to the West Europeans, however, that real problems emerge. Over the last ten years, Western Europe has outstripped the United States as the world's largest regional producer of chemicals. All things being equal, it would have expected its industry to extend this lead further as the United States ran out of cheap feedstocks and as the European industry adjusted to newfound feedstocks in the North Sea. (Actually, the falling dollar is maintaining the U.S. industry's competitive position.) However, although the West European chemical sector is extremely large, it (along with the refining sector) sees itself as being in a state of crisis, and this bodes ill for producers like the Saudis when their export industries actually come on stream.

When most of the refining and petrochemical projects we have been discussing were first seriously considered in the aftermath of the 1973–74 oil price rises, conventional wisdom was that around 70 percent of the products would make their way to Western Europe, which was obviously the closest developed market open to them. Moreover, this automatic assumption that Western Europe is the main market has not changed significantly. In the fall of 1977, when the European Communities and the Arab League were discussing the petrochemical and refining issue within the Euro-Arab Dialogue (more on this later), the Arab delegates arrived with an analysis of the total capacity of chemical plants planned within the Arab world, subtracted likely Arab domestic consumption, and then indicated that Western Europe would be expected to absorb a good deal of the remainder.

The reasons why West European reactions are likely to be less than welcoming to such products are as follows. First, Europe remains a fragmented market. There has not been time for the EC Nine to succeed in industrial restructuring, and a large number of plants have been built to serve unrealistically small national markets. Second, the 1972–73 world trade boom led to a surge of investment that has proved hopelessly optimistic; world growth has failed to regain its pre-1973 rates. This investment boom

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

continued on for a couple of extra years until the forecasters started moving their projections of market demand for the 1980s down very sharply indeed. By then it was too late, since several plants were already under construction. Some are still coming on stream and, in general, are badly underutilized. Western Europe's refineries are currently running at around 69 percent of capacity, while in ethylene, industry sources still sound convincing when they argue such plants will be running at under 75 percent of capacity as late as 1981.

Middle Eastern policymakers understandably get quite waspish when faced with this overcapacity argument. Why should they be blocked from world markets because the West Europeans (among others) have been extravagant in past investments? Why shouldn't the Europeans close a few plants down, bring capacity in line with demand and then make room for Middle Eastern plants to take a share of Europe's incremental demand? One sympathizes with their frustrations, but the real world is more complex than they assume.

First, there is a bias against scrapping capital-intensive plants, unless prices fall so low that even direct operating costs cannot be covered. By keeping plants running, a corporation will at least get some revenue back to pay off the initial investment. Second, intra-European nationalism must be considered. The Italians, for instance, have put a lot of governmental effort into building their country into a force within the refining and chemical industries, and they have proved unwilling to rationalize their industries unless all the other EC members take similar action.

Probably the most important complicating factor is that by the time a Saudi plant could come on stream in the mid-1980s, the West Europeans will have been faced with an influx of products from Eastern Europe and, to a lesser extent, from North Africa. This influx will have severely tested the EC's ability to keep the trade protectionists at bay. The Soviet Union's planners have made it plain that they, too, are looking toward Western Europe to help them increase exports from around the current level of three percent of their production to between five and ten percent. At the same time, products are starting to come back into Western Europe, often at distress prices, from "compensation" deals whereby Western corporations have built petrochemical plants in hard-currency-short Eastern Europe, being paid in products once the plant comes on stream. The volume of such compensation products is only just beginning to become significant, but already the industry is putting strong pressure on the authorities in

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Brussels to set up a compulsory register of chemical buy-back deals with Eastern Europe (similar deals with the Middle East could conceivably be included) and to set a European reference price for chemicals that would act as a form of anti-dumping device against the East Europeans.

It looks as though Brussels is fighting these particular demands, but protectionist feelings are running high within Western Europe, and overcapacity within the region's petrochemical and refining industries means that even these relatively capital-intensive industries are not remaining immune. For instance, the recently attempted formation of a crisis cartel among the leading European producers of synthetic fibers was only narrowly averted; this was to have laid down targets for reducing plant capacity through 1980, as well as set production quotas for the corporate signatories. The latter are still calling for much swifter anti-dumping measures against imports from outside Western Europe, on the grounds that a cartel is of no use if imports are left uncontrolled. The fact that this crisis cartel came so close to final approval has encouraged others in the refining and plastics industries to call for similar action by Brussels.

Such protectionist moves are not yet aimed specifically at oil-producing states, but they must cause worry among would-be industrializers within the Middle East and North Africa. If current conditions of overcapacity last, a real possibility exists that West European industrialists and politicians will give top priority to ensuring marked improvement in their own capacity utilization and will restrict imports from peripheral areas such as Eastern Europe, North Africa and, eventually, the Middle East. The rationale for treating this periphery with relative toughness would be that the countries there are generally "state traders"—i.e., countries in which the central governments so lead and manage their economies that they cannot be said to abide by the principles of relatively unsubsidized free trade supposedly found within the OECD world. Of course, this will be unfair to some of these peripheral countries, and we have personally been chided by a Saudi official who was able to give us a comprehensive rundown of all the subsidies and incentives a chemical company can be granted for investing in a location like Scotland.

The fact remains, however, that the OECD world is increasingly turning its attention to what are fair or permitted levels of subsidization, and there is growing irritation with the East Europeans and certain leading LDCs that enter export markets with industries whose economics are kept impenetrably opaque. If the

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

oil-producing states are going to win relatively trouble-free access to world markets for their petrochemical and refined oil products, then they will have to demonstrate that these industries can indeed be globally competitive with subsidies that are roughly comparable to those available within the OECD world to the same industry. If they cannot so demonstrate, they may have to resort to a weapon which is increasingly discussed—that of insisting that purchasers of crude oil also buy products. It is too soon to tell if this ploy will be needed.

VI

So far, this has been a pessimistic article, but there are grounds for suspecting that some of the problems will not emerge. For one thing, the Euro-Arab Dialogue has spawned one subcommittee which has specifically concentrated on how the two sides might collaborate in the chemical and refining industries. Chances are small that any deal will come out of this debate with, say, the Europeans agreeing that the Arab side should specialize in certain products, but the Arabs have been forced to examine the cumulative impact of all their national plans, particularly in the light of the ever more pessimistic market projections for the 1980s. This has injected a sense of realism into the debate that was lacking in the period around 1974. At the same time, the European side has been forced to take note of the intensity behind the Arabs' desire to find their place in industrial markets. Even if the Europeans doubt that the Arabs will become fully competitive in their first wave of "infant" export industrialization, they know they must come to some sort of terms with the oil producers' ambitions.

Then again, even without the actions of governments, some form of industrial adjustment is taking place around those industries which most attract the oil-producing states. There are signs that old plant is being scrapped, as in the case of the West European refining industry, which has already closed about eight percent of its capacity, as well as clear signs that West European industry in general is reluctant to invest in the bulk petrochemical fields the oil producers are entering, such as ethylene and benzene, but is moving into more specialized areas.

A number of medium-sized oil and chemical companies, however, will still be unable to come to terms with the new world in which oil-producing states will lay claim to oil refining and much of the bulk end of the petrochemical industry. This means that corporate survival will very much rest on diversifying rapidly into more highly skilled areas of business; there are many companies

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

that will not move fast enough. From our European experience, we can already identify a group of these second-rank, smallish companies, which have been some of the most vociferous proponents of cartelization measures. For instance, the demands for EC action to overcome the refining industry's problems have come from CFP, Elf-ERAP, ENI, Petrofina and Veba. This is an interesting group consisting of the "national champions" of Italy, Belgium, Germany and France (joint champions in the latter case), and its composition strikes us as no accident. These companies are very much the products of those bygone days when corporations specializing in marketing refined oil and a few basic chemicals could carve out for themselves a cozy geographical niche through some form of nationalistic pressures. Today, they are left stranded. The oil producers can build refineries and are moving into basic petrochemicals themselves, and the successful corporate response can probably come only from a corporation straddling several national markets. However, these smaller companies can still be dangerous to the industrial aspirations of the oil-producing states, for until these corporations and their parent governments can adjust to the new realities of the world economy, they will incline to calls for protectionist measures against the new industrial challenge from the oil-producing world.

VII

However optimistic we have tried to be, we are still left with the belief that the entry of Middle Eastern and North African oil-producing states into markets for industrial goods will probably be a long and politically messy process. We are not sure that there are any easy solutions that will keep all parties happy, but can put forth some policy recommendations.

To avoid over-reliance on a single OECD market, such as Western Europe, the Middle Eastern oil producers should thoroughly explore the potential of regional markets, particularly in more populous states such as Egypt, Sudan and India. Insofar as such over-reliance is unavoidable, however, they should prepare for resistance to their plans and should not put too much faith in intergovernmental agreements, since the resistance will be led by industrial pressure groups that are not necessarily amenable to national government dictates. The oil producers should anticipate some of the tactics that will be used against them, for instance by being extremely careful in their choice of methods of subsidizing export industries to prevent unnecessarily exposing themselves to charges of dumping. For this round of investments, they should,

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

if possible, probably follow the Saudi strategy of taking large foreign partners which can absorb the resultant products within their own marketing structures to some extent, thus carrying out some of the necessary industrial adjustments within their own global activities. The oil producers should probably see the need to tie product sales to sales of crude oil as a last resort and eventually as a sign of failure, but the success of this ploy will very much depend on the overall state of oil markets in the 1980s.

As far as Western Europe and the EC are concerned, the authorities should accept Middle Eastern industrialization as a healthy development from which Western Europe, as the major trading partner with the Middle East, stands to gain far more than it will lose in the narrow sectors of oil refining and base petrochemicals. The debate on these sectors within the Euro-Arab Dialogue should be kept in low key and not oversold to the Arab side: analyzing markets of the 1980s helps both sides; searching for some mutually agreed pattern of compatible investments is probably a blind alley. General problems of overcapacity should be treated in the context of a positive European industrial policy. A clearly spelled-out European policy toward "infant" export industries in North Africa and the Middle East should be developed, flexible enough to tolerate relatively heavy subsidies for the first wave of projects, but clearly identifying the limits of European tolerance, particularly for heavy subsidies in the second generation of export-oriented industrial investments.

As far as the United States and the OECD world are concerned, it is obviously in the general interest that the Saudi and Iranian industrialization should continue. However, the Saudis do pose a special problem in that they need to break into world markets with what is virtually their first major round of industrial ventures. The risks of Saudi disappointment are quite high, and this necessarily has implications for the world's oil policy in the 1980s, particularly if the Saudis are asked to produce oil at a rate higher than they would prefer themselves.

Similarly, the role of the Saudis in the world's monetary and financial problems cannot be lightly disregarded. If it looks as though their disappointment might stem from the unwillingness of foreign partners to proceed with projects that seem overly risky, then other countries might follow the Japanese example of giving some form of official financial assistance to the pioneering corporations. If the trouble seems more likely to stem from protectionist sentiments in the 1980s, then pressure will need to be placed on the offending countries or regional blocs in order to give Saudi

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

products relatively sympathetic treatment. With luck, the Saudis will not need special treatment; if they do need it to make their first couple of petrochemical complexes viable, then special treatment they should get.

Finally, we would end with a plea for faster world economic growth. Whatever the relationship between world inflation, financial instability and fast growth rates, it is clear that the problem of international industrial adjustment is exacerbated by slow world growth. The EC Commission expressed this argument in connection with the problem of the EC's enlargement. In a working paper, it specifically argues that an average growth rate of 4.5 percent among the EC Nine would remove most of the problems caused by the proposed admission of Spain, Greece and Portugal; growth below two percent would play into the hands of the protectionists. If one extends this argument to include the plans of Middle Eastern oil producers for entering world industrial markets, the logic remains impeccable.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

James A. Bill

IRAN AND THE CRISIS OF '78

In the turbulent world of the Middle East, there have been few islands of political stability that have been able to survive the storms of revolutionary change. Iran, with its political system directed by an absolute monarch and an enormous wealth of natural resources, has been widely viewed in the Western world as the most important such refuge in the area. American opinion leaders have long admired the sturdy consistency with which Iran has maintained its orderly existence, and in seeking a reliable partner and client state upon which to rest U.S. political and economic interests, American decision-makers chose to place their bets on Iran.

In 1978, however, opposition to the Shah of Iran's political rule took the form of a mass movement, and during the first eleven months of the year riots shook hundreds of villages, towns and cities. The estimated death toll resulting from these public displays was over 3,000 persons. The total casualty figures were four times this number. Martial law was instituted, and during the course of the year's disturbances, the Shah ordered his troops to fire on demonstrating crowds in Tehran. Whatever sturdy consistency has obtained in Iran up to now seems to have been shaken—possibly for good.

America knows astonishingly little about Iran. Other more visible issues have deflected much of our attention elsewhere. Turkey and NATO, Saudi Arabia and its stupendous oil wealth, and the always-explosive Arab-Israeli issue are three cases in point. The hundreds of thousands of Americans who have lived in Iran since World War II have seldom penetrated the glittering surface consisting primarily of north Tehran and its charming, well-to-do, English-speaking inhabitants. Occasional forays to Isfahan and the Shah Abbas Hotel, Persepolis and the gardens of Shiraz, and the resorts along the Caspian Sea have not served to sharpen our appreciation of the social, political, economic, and religious realities of the country. The American mass media's coverage of Iran has over the years been consistently sparse, superficial, and dis-

---

James A. Bill is Professor of Government and Associate Director of the Center for Middle Eastern Studies at the University of Texas at Austin. He is the author of *The Politics of Iran* and co-author of *Politics in the Middle East,* to be published early in 1979.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

torted. Major newspapers such as *The New York Times, The Washington Post*, and *Wall Street Journal* have been especially weak in their reporting on Iran, misrepresenting the nature and depth of the opposition to the Shah.

Outside of Iran, there are three general opinions on the nature of the opposition to the regime. The Shah's opponents are said by some to consist of a small group of trouble-making Marxists supported in their treasonous activities by the Soviet Union and other radical regimes such as today's Libya. Others would maintain that Iranian opposition is dominated by a number of reactionary religious leaders who resent the Shah's modernization program, which emphasizes land reform and women's rights. A third position summarizes the Shah's problems in terms of an unholy alliance of these two extreme factions, which have joined forces with the sole aim of dismantling the present political system. This view has been presented in the past by the Shah himself, who has often referred to this alliance between "red and black" or, in more recent years, to an opposition labeled "Islamic Marxists."

These arguments undoubtedly contain some degree of truth. Leftist and radical forces are indeed united with relatively conservative religious leadership in Iran—often for quite different reasons—in opposition to the current regime. But there is a much wider and more important focus of opposition in the middle class and in the growing, increasing activist working class. The interaction among all these forces of opposition can only be understood in the context of the Shah's methods of rule and, above all, of the extremely serious social and political problems which he has subordinated to his economic and military programs. The official position of the Iranian regime today is to admit responsibility for a number of cancerous problems that are eating at the body politic. It remains to be seen whether the Shah has the will and capacity to perform the social and political surgery necessary to cure these problems.

II

Mohammed Reza Shah Pahlavi is, at this writing, the most important of the five major absolute monarchs left in the world. Undoubtedly one of the cleverest political leaders of this century, after nearly four decades of kingship the Shah is a leader of rare experience. Since his accession in 1941 he has survived two public assassination attempts (1949, 1965), numerous plots against his dynasty, a popular political movement led by the charismatic Prime Minister Mussadeq (1951-53), and the machinations of

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

dozens of other wily politicians who have sought to loosen his grip on the controls of power. He has lost two prime ministers through assassination (Razmara in 1951, Mansur in 1963), and has thrice ordered his troops to turn their machine guns on demonstrators in the streets of his capital city (1952, 1963, 1978). He has had to overcome both an Allied occupation of his country and Soviet-supported separatist movements in Azerbaijan and Kurdistan in the 1940s. He has preserved Iran's independence in the international arena while promoting economic growth. The Shah's survival has also occurred despite venality that extends deep into his own family and despite grasping advisers who are long on greed and short on integrity. Never a Faroukian leader, though, he has worked overtime at his job and has consistently kept a schedule that has left him little time for relaxation.

The official Iranian governmental structure has long consisted of a shaky scaffolding of institutions built up around the person of the Shah. They have included a cabinet, a parliament (Majlis) and senate, and a political party system now in disarray. Over the years, Iran has experimented with a number of single and multi-party systems, the most recent examples being a system dominated by the Iran Novin Party (1963-75), and the mass Resurrection Party, dismantled during the political upheavals of 1978. The formal governmental structure and the individuals who have staffed its highest echelons have been determined and directed by the Pahlavi shahs. Majlis and senate elections have been controlled, while political parties have been invented and then imposed from above.

The blueprint of the government is the constitution of 1906-11. This document, which has very special meaning to Iranians, became a rallying point for the opposition to the Shah during the past year. The constitution declares that sovereignty rests with the people, that the executive, legislative and judicial powers be separate, and that individual rights be protected. According to Article 39 of the 1907 fundamental laws, the Shah is required in his oath as king "to be the guardian of the constitutional law of Iran, to reign in conformity with the established laws, and to promote and protect Twelver Imam Shi'ism." Mohammed Reza Shah has, however, ruled more as an absolute than a constitutional monarch, controlling the government in all its important phases.

The Shah has ruled with the best talents of the lion and the fox. Wedded to no set of ideological principles, he has sought to overcome challenges to his person or his programs by shrewd political maneuver and calculated manipulation. Weaving, dodg-

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

ing, feinting, retreating, and attacking, he has emphasized survival by wit.

A man almost totally devoid of charisma and a figure unprepossessing in appearance and speech, he has tried to compensate for these limitations by establishing an aura of mysterious power about his person. Pictures and statues of the Shah are everywhere; shrubbery in public parks is clipped in the shape of the Persian script spelling out his name; over 75 different sets of Iranian postage stamps show the royal portrait; and millions of colored lights are strung throughout the country every year as a reminder of the Shah's birthday.

The Shah appoints and dismisses his highest governmental officials with blinding speed, maintaining a policy that fosters paranoid insecurity at the highest echelons of the system but very effectively keeps any individual from gaining too firm a foothold on the narrow Iranian plateau of power. There are examples of a minister, apparently enjoying the full confidence of the Shah, learning by the early morning radio that he is no longer a minister. A typical example occurred this past August when the talented and loyal Foreign Minister, Abbas Ali Khalatbary, was suddenly replaced in his post; Chinese Foreign Minister Huang Hua must have been surprised on August 29 at the Tehran airport by the absence of Khalatbary, who two days before had still been in charge of planning his visit.

When opposition forces become especially intense, the Shah seldom hesitates to discard members of his political team. The greater the discontent, the greater the numbers of dismissals and the more influential the politicians relieved of their duties. During and after the countrywide riots in the fall of 1978, those jettisoned included the Shah's trusted old confidant and physician/businessman General Abdol Karim Ayadi, Prime Minister Jamshid Amuzegar, Minister of Court Amir Abbas Hoveyda, Minister of Health Sheikholislamzadeh, ten-year veteran cabinet minister Mansur Rouhani, and Atomic Energy Organization head Akbar Etemad. Even the feared head of Iran's secret police agency SAVAK, General Nematollah Nassiri, was dismissed, and in early November dozens of other secret police agents were retired.

As part of his tactics, the Shah expertly coopts his opponents and absorbs them into his political elite. Many former communist party members and anti-Shah organizers abroad, for instance, have held important positions in the governmental apparatus. This political cooptation is one seldom-recognized reason for the continued proliferation of government offices, as well as for the

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

explosion of new titles and posts within these organizations.

Intertwined with the cooptation of individuals is the cooptation of ideas. The Shah has written a book on revolution and has even quoted Lenin in his speeches. Over the last few years, he and his elite have displayed an uncanny ability to identify the key social and political problems and then to speak out against them in their public speeches. Between 1974 and 1976, the popular establishment catch phrases were attuned to the need to overcome all the social "bottlenecks" in order to better build an economic "infrastructure"; the slogans of 1977 and 1978 touched on considerably more sensitive matters and emphasized political "participation" and "social justice." Such public admissions of the critical problems are, of course, not the same as doing something about them. Nonetheless, the tactic has been shrewdly developed and has often served to outflank the opposition, which suddenly finds its demands appropriated by the regime. The entire process is institutionalized in the numerous investigatory groups and imperial commissions that are established by the Shah to hear the grievances of the people.

But there is much more to the fox-like side of Pahlavi rule, for the Shah does more than coopt individuals and ideas: he has consciously chosen to support selective programs of reform. This is what distinguishes him from most other monarchs of this century, and what opposition groups—especially those abroad—refuse to recognize and admit. The Shah has never hesitated to send his young people abroad by the hundreds of thousands to acquire the best education available, though fully aware of the political dangers that this policy poses to himself and to his dynasty. There has been a land reform program, and a war on illiteracy. Although the results of such programs reflect serious defects, a commitment has been made and certain positive results have been realized. An examination of the Shah's reform programs indicates overriding emphasis on industrial growth, technological progress and military development. Lagging far behind has been the selective social change referred to above. Political development has been completely ignored. What the Shah has done, in effect, has been to encourage enormous economic change and some social change in order to prevent any basic political change.

All of these tactics have been reasonably effective in deflecting and dispersing opposition over the years. They have not, however, been enough to assure regime stability. There are many individuals who are simply not cooptable. And as opposition has intensified,

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

the Shah has never hesitated to take on the characteristics of the lion, recognizing that force is his ultimate means of control. Brief periods of relative liberalization have been separated by longer periods of crushing military and police control. Rule by force dominated Iran between 1954 and 1960, and again between 1966 and 1976. The riots and disturbances, followed by a crushing military response in late 1978, represent another swing back to force after several months of relative liberalization.

The Shah directs a huge security system of intelligence forces, town and city police, a countrywide gendarmerie, royal guardsmen, and a large military establishment. Well informed militarily, he supervises all important aspects of his armed forces and personally approves all promotions above the rank of major. Loyalty to the person of the Shah is the primary basis for advancement and several cross-checking intelligence groups constantly gauge the loyalty quotient of all key military figures. The military academies stress the indispensability of monarchy to the well-being of both the country and the military itself.

The military is a privileged group in the society. Its members enjoy high salaries, numerous fringe benefits, and exorbitantly expensive modern facilities. With this kind of stake in the system, the armed forces have stood by the Shah. Until now, the key personnel in the security forces and the important middle-ranking army officers have remained loyal. Although there have been incidents of dissatisfaction and anti-regime plotting, they have until now been relatively rare. Despite this, the Shah has in the past not wanted to base his rule on force alone, preferring to balance coercion with calculated reform.

Between 1971 and 1976, the Shah's carefully blended tactics broke down. The fox disappeared and the lion appeared, in the form of a frightening secret police apparatus. A period of un-Persian rule by repression set in and a group of hard-liners in the intelligence organization took charge. The Shah, who was certainly aware of the nature of this rule, did nothing to stop the reign of terror, which included the systematic use of torture. Prisons were full and hundreds were executed. The religious establishment was attacked frontally.

This policy soon became a severe political liability to the Shah, as it helped give birth to an extensive terrorist movement whose members sought to overthrow the Pahlavi government. Violence became commonplace in the streets of Tehran, and well-organized guerrilla operations began to take their toll. In 1971, a powerful military prosecutor was assassinated after he sentenced 13 young

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Iranians to death. That same year witnessed a kidnapping attempt and an attack on the son of the Shah's twin sister. In 1972, the Deputy Chief of Police was assassinated. A year later, a plot to kidnap the Shah, the Empress, and the Crown Prince was uncovered in Tehran. Americans whom the opposition believed to be assisting the Shah's intelligence forces also became targets. In June 1973, an American military adviser was killed in Tehran. Two U.S. Air Force colonels were assassinated in May 1975, and in August 1976 three American employees of Rockwell International were killed by terrorists in Tehran. In response, the police resorted to still harsher methods, which merely hardened the dedication of the opposition. The vicious circle of violence was clearly whirling out of control.

In early 1977, partially coinciding with the beginning of Jimmy Carter's presidency, the Shah set forth a new policy, a program of liberalization that was to include an end to torture, a selective release of political prisoners, an attempt to introduce legal reform, and a loosening of tight censorship controls. As 1977 moved into 1978, the people of Iran quietly watched the exchange of visits between President Carter and the Shah. When no new policies finally emerged, the violence began. On January 9, 1978 nearly 4,000 religious students and their supporters began a demonstration in the holy city of Qum, demanding among other things that the absolute monarchy give way to a constitutional government. The march ended in bloodshed when troops killed dozens and wounded hundreds.

Occurrences since then do not support an optimistic political prognosis. December 1978, which coincides with the holy Shi'ite month of Moharram, should be an especially critical time for the Pahlavi dynasty. It is significant that Ayatollah Shariatmadari, a leading religious leader in Qum, predicted during the first week of September that the government would collapse in three months if it did not meet the constitutional demands of the religious leaders. Today, the Shah is obviously a scarred if not scared leader. The mass rebellion of 1978 left him visibly shaken. Reliable observers report him irritable, cynical, uncertain, and enormously insecure. And the challenges that he faces are unprecedented.

III

There is an inherent tension between rule by absolute monarchy and a growing, active middle class whose members seek to control their own destinies. Throughout the Middle East since 1952, this conflict has consistently been resolved in favor of the rising middle

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

classes at the expense of monarchy. In Iran, political development has been deliberately sacrificed to economic growth. During the last two years, the Shah's private advisers and public ideologues have been issuing warnings about the neglect of politics. Leading journalist Amir Taheri wrote in October 1977 that Iran is entering a "political decade" and that "the fact remains that the government structure in Iran is still unprepared for meeting the exigencies of the political decade that lies ahead." In January 1978, an article appeared in Taheri's newspaper arguing that "the nation's political life cannot lag behind its economic and social achievements." After the stormy events of August and September 1978, Taheri described Iran as an "economic giant" and a "political dwarf." Today, there is no doubt that the Shah himself recognizes this problem, but it remains to be seen whether he intends to do anything basic about it.

Demands for freedom of speech, press and assembly have become more strident over the years. In the early 1970s, as I noted earlier, the regime instituted a reign of repression of such severity that it spawned a terrorist network of young men and women dedicated to the destruction of the system. The current state of martial law and military rule in Iran risks a return to the early 1970s. Meanwhile, the educated middle class continues to place a very high priority on basic individual freedoms and human rights.

A closely related area of grievance is the system of justice. The civil court system was for years completely controlled by the Shah who, through his Prime Minister, appointed the judges in the country. Chosen on the basis of loyalty to the person of the Shah rather than on grounds of legal competence and personal integrity, many of these judges have been mediocre at best. The Minister of Justice himself has usually been the most flagrant example of a political appointee and has lacked both legal qualifications and respect in the community. Judicial responsibilities generally allocated to civil courts have often been assigned to military tribunals. The Shah has occasionally admitted problems in his judicial system, and in the last two years he has begun to do something about it. He has, for example, met twice privately with William Butler of the International Commission of Jurists and has consented to real reforms, personally laboring over the details of judicial reform documents. Until these reforms are put into effect, however, the Iranian people will remain skeptical.

No society has a monopoly on corruption, and the Shah is quite right when he chides Western commentators for pointing fingers. This, however, does little to solve the problem in Iran, where

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

corruption percolates outward from the very center of the system. Corruption is a constant subject of conversation in middle class circles in Tehran and a favorite topic of criticism by the religious leaders in their gatherings throughout the country. In mid-September 1978, the Shah announced that, three months before, he had issued a "code of conduct" for his entire family. In November, he ordered an investigation of the Pahlavi Foundation—one of the major repositories of his family's huge wealth. Besides this, he has initiated an anti-corruption campaign that has resulted in the arrest of several former ministers and royal advisers. But, as the Shah's critics are quick to point out, anti-corruption campaigns come and go in Iran, and many of them believe that radical surgery on corruption must begin with the royal family itself. Investigations that are suddenly proclaimed in moments of political crisis and then quietly wither into nothingness once control is reintroduced have only increased distrust by opposition forces.

The areas of health, education and administration are all in a state of malaise. Loyal, subservient and unimaginative politicians have filled the important ministerial posts in these areas, the Ministry of Health being especially weak. In 1970, for example, the then Minister of Health told me that the real key to solving Iran's social problems was to hold more seminars, that what was needed was more talk and less action. A more recent minister constantly denied that Iran had any serious health delivery problems. He was dismissed from his post in September 1978 and soon thereafter arrested on charges of corruption and abuse of office.[1] A 1977 study of the Iranian educational system carried out by the Imperial Inspectorate documented the deplorable state of the field, pointing to severe shortages of teachers, the basic lack of facilities and the extremely low academic standards that characterize all levels of education in Iran.[2]

Administratively, the situation was summarized most recently by Amir Taheri, who wrote in mid-1978 that the public disturbances then spreading through the countryside were "due to an accumulation of discontent with tight control, overcentralization, lack of sufficient open debate and a general feeling that corruption and inefficiency together with arrogance have struck the bureaucracy."

[1] In an extensive interview published in a 1977 issue of a leading Persian newspaper, this minister systematically denied a long list of charges criticizing the health system. He concluded the interview by stating that 98 percent of the people's complaints were unfounded. *Rastakhiz,* October 10, 1977, p. 19 (in Persian).

[2] Imperial Court, Imperial Inspectorate for Education and Research, "A Report Prepared for the Tenth Conference Analyzing the Educational Revolution," August-September 1977 (in Persian). This critical study focused on developments in the field of education between 1973 and 1977.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Quantitatively, Iran has an impressive record as new hospitals, schools and government bureaus have sprouted up in larger and larger numbers during the last 20 years; qualitatively, there is considerable room for improvement.

The Iranian governing elite's most serious recent tactical shortcoming concerns its policy toward the religious leaders. Unlike most Muslim Middle Eastern people, the Iranians are adherents of a minority sect of Islam known as Shi'ism, which traces its heritage back to Ali, the cousin and son-in-law of the Prophet Mohammed. In Iran, the descendants of Ali represent a chain of charismatic leaders (*imams*), the twelfth of whom went into occultation in A.D. 940. The Shi'ite leaders today, known as "mujtahids," are representatives of this last imam and wield great spiritual as well as economic and political power. Since 1501 when Twelver Shi'ism became the state religion of Iran, the secular shahs have ruled partially in the shadow of the mujtahids. Iran has been the scene of tension between the secular and religious leaders ever since.

The leading mujtahids are generally men of great learning, integrity and popularity. They are renowned for the simplicity of their standard of living and are among the most democratically chosen grassroots leaders in the contemporary Middle East. Millions of dollars pass through the hands of Iran's top mujtahids every year, for they serve as social welfare agents throughout the country, accepting the religious dues of the faithful and then redistributing them to the needy. In short, the mujtahids are the guardians of social justice and morality in society. As one mujtahid explained to me: "The difference between the national political rulers and the religious leaders is not one of power but rather one of morals." In this sense the mujtahids are quite different from the masses of Shi'ite clerics or mullahs, some of whom are corrupt and espouse socially regressive policies.

The mujtahids have on occasion opposed a number of the Shah's reform programs. Although they deny this, specifically with respect to land reform and women's rights, there is little doubt that they feel threatened by the forces of modernization. Still, rather than attempting to reach an accommodation with the powerful religious establishment, the Shah's government chose to attempt to crush it. Recalcitrant mujtahids were harassed; some were imprisoned and others executed. The government took greater and greater control over the religious endowments, and the Shah appointed men of military background to positions of authority over the holy shrines in cities such as Mashhad. The religious presses were closed down and religious gatherings regularly broken up by security forces. These are some of the reasons why men

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

like Ayatollah Khomeini (exiled in 1963) and Ayatollah Shariatmadari in the city of Qum have become leading voices of opposition to the Shah. In the case of 76-year-old Shariatmadari especially, it was partially a matter of self-defense; in his public statements in 1978, he pointed out that, among other things, the troops of the regime had entered his home and killed one of his followers before his very eyes.

Since the religious network provides a ready-made informal organization for opposition to the Shah's government, the mujtahids have been the natural rallying points for the masses who oppose the system—for whatever reason. The resurgence of Islam in Iran has been propelled by the return of the middle classes to religion. Young women by the tens of thousands have gone back to the black veil as a symbol of their discontent, while educated professionals have returned to prayer meetings in homes and mosques where the content of the discussion is heavily social and political in nature.

By August of 1978, the Shah was forced to reverse his campaign against the Shi'ite establishment. He sought to placate the rioting masses by opening channels of communication with the religious leaders, replacing key ministers and government officials with individuals more palatable to the clerics, and returning a measure of autonomy to them. The mujtahids refuse to accept these modifications, however, and call instead for a restoration of the constitution of 1906 and a new system of rule in which social justice and political freedom will prevail.

But, in the end, the educated, professional middle class is the greatest danger to the 2,500-year-old absolute monarchy of Iran. The opposition forces on the extreme Left and Right can perhaps be controlled and placated, but such is not the case with the educated middle class. Iranian census data indicate that this class has doubled in size between 1956 and 1976, leaping from six percent to 13 percent of the total employed population, and as more and more Iranians acquire modern higher education either at home or abroad, this class will continue to swell in size. When the merchants and businessmen are brought into the calculations, the middle classes in Iran now make up over 25 percent of the population—a very large middle sector for any developing society.

The members of the professional middle class are the ones who best articulate the grievances listed above. Their commitment and participation are absolutely essential to the Shah's attempts to modernize and rule his country, yet these are precisely the groups that are most alienated and whose demands fall on deaf ears. In the words of former Prime Minister Hoveyda, these are the

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

"pseudo-intellectuals," those whom the Shah himself has viewed with disgust as the cynics and "negative people." They are also the foreign-trained engineers and scientists who do not return to Iran, the physicians who return but then refuse to stay, the professional administrators who passively oppose a system they despise, and the teachers who use their positions to undercut a government they consider unresponsive to their needs. An analysis of the social background of several hundred active opponents of the regime apprehended, imprisoned or executed by the Iranian police between 1972 and 1976 indicates that well over 90 percent were young men and women of this professional middle class.

Considering the size of the opposition, one is led to wonder how the Pahlavi political system has survived. First, there is the enormous natural wealth of the country. Unlike some of his former monarchical colleagues in countries like Egypt and Afghanistan, the Shah has had the resources necessary to maintain his family's ascendancy. But not even the salve of economic growth and nearly $100 billion in oil revenues that accrued to the Iranian government between 1974 and 1978 kept social and political sores from festering. When a host of economic problems converged in 1978, trouble erupted.[3]

The Shah has also enjoyed external support and direct outside intervention at critical points during his rule. The most often cited example occurred in August 1953, when U.S. intelligence forces helped plan the overthrow of Prime Minister Mussadeq and thus assisted the Shah to regain his throne. A more recent and much less dramatic example occurred in September 1978, when President Carter took time off from his historic Camp David meetings to telephone his support to the embattled Shah.

The Soviet Union's inconsistent and imperialistic foreign policy toward Iran has rendered it curiously impotent with respect to influencing the Iranian scene. On the one hand, the Soviet Communist Party has long condemned "the Pahlavi tyrant," while, on the other hand, the Russian state has entered into more and more economic cooperative ventures with the Shah's Iran. This

[3] Iran's recent economic problems are many and severe. They include runaway inflation, an agricultural growth rate of less than three percent per annum, an embryonic industrial infrastructure, a widening urban-rural income distribution gap, and a serious lack of skilled labor and technicians. A symptom of and contributing factor to the problem is the enormous flow of capital from Iran. In September 1978, informed Tehran bankers conservatively and publicly estimated the magnitude of capital flight to be over four billion dollars a year. In August, the Shah himself indicated his alarm and described those of his countrymen who were sending their resources abroad as "chicken-hearted." For analyses by Iranian economists documenting some of these problems, see the articles by Firouz Vakil and M. H. Pesaran in Jane W. Jaczq, ed., *Iran: Past, Present and Future*, New York: Aspen Institute for Humanistic Studies, 1976.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

schizophrenic policy has been "supported" by a Marxist-Leninist theory that badly distorts the internal social realities of Iran, focusing unyieldingly on the Iranian proletariat and misreading the revolutionary potential of the professional middle class. All this has occurred against a backdrop of deep distrust of the Iranians toward the Russians, who have a long history of imperialistic designs on the Iranian homeland. The Shah's rule, therefore, has not been as seriously threatened over the last three decades by the huge neighbor to the north as might otherwise be expected.

Yet another reason for the Shah's longevity is an element of politics stressed long ago by Machiavelli—luck or fortune. The Shah has not only miraculously survived assassination attempts but has also walked away from natural accidents, including a serious plane crash. It is no wonder that he carries an admitted mystical belief in his mission and personal invincibility.

Today the Shah of Iran rules from behind bayonets. Surely he cannot control his sophisticated population by brute force indefinitely. Too many Iranians stepped forward in the 1977–78 period to criticize the regime in general and the Shah in particular. Too much blood ran in the streets of the cities. The military may have the temporary capacity to control the major cities but without any base of popular support it will be unable to run Iran's economy and administrative system. Strikes, sabotage, terrorism, passive resistance, and civil rebellion of many varieties will continue. Liberal gestures combined with a gradual relaxation of military rule may not succeed either. Instead, the future survival of the Shah and his dynasty may rest on his ability to put aside piecemeal gestures and to introduce a dramatic and fundamentally new political policy.

Only a bold stroke designed to open the system and to introduce political participation founded on the Iranian constitution may succeed at this late date. Perhaps a nationwide referendum or plebiscite should be publicly announced by the Shah and implemented as soon as possible. The plebiscite could be developed to determine the future essence of the Iranian political system and the very place of the Shah in that system. Or, free and fair elections scheduled for June might be moved up six months. The current Cabinet might be dismissed to be replaced with individuals of integrity, independence and experience. There are many such individuals in prison or in self-imposed exile in their homes as well as among the active opposition abroad. The backbone of the new political system could be provided by the National Front—a

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

progressive-nationalist coalition of opposition groups composed of individuals of middle class background. This system would have to enjoy the tacit support of the mujtahids, although they would never participate directly in the formal governmental structure. Finally, the highest level culprits of corruption might be called to account for their misdeeds. If this should include members of the royal family, then they deserve the same punishment as that accorded anyone else. Political tactics such as these may seem drastic and risky, but the alternatives increasingly appear to contain even greater risk. The retention of a measure of influence by the Shah, the survival of his family, and the well-being of Iran are at stake.

IV

The political fate of Iran is of critical importance to the national interest of the United States. Sharing a 1,600-mile border with the Soviet Union, Iran has long stood as a shield against the spread of communist influence into the Persian Gulf region. In recent years, the Shah has indicated his willingness to utilize his expanding military machine in support of the status quo throughout the region, for example, by his intervention in Oman in support of the Sultan's regime and his aid to Somalia in its war with Ethiopia. In this way, American policy in the area is promoted by the Shah without any need for direct U.S. intervention. In an interview with *Newsweek* magazine in January 1977, the Shah reminded the United States of that fact: "Do you want several more Vietnams? In Vietnam, you had only 550,000 American boys. But the Persian armed forces have more than that, and they are not smoking grass."

At least as important as these strategic considerations is the West's economic interest. Although less than ten percent of America's oil imports actually come from Iran, Europe and Japan have a critical dependence on Persian oil, and America's longtime protégé, Israel, currently depends on Iran for over 70 percent of its petroleum needs. From an American point of view, the reliability of the Iranian supply is an even more critical consideration. Iran, after all, did not participate in the 1973 oil embargo. Finally, in the councils of OPEC, Iran holds an important swing position on the question of pricing. If the Shah chooses to side with the price hawks, then there is an excellent chance that oil prices will increase significantly; if he decides to take a more moderate stance and to ally Iran with the Saudis in holding the line against higher prices, there will be no such increases. This is exactly what

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

happened in January 1978.

Numerous other mutual economic interests tie America to Iran. The Shah pays premium prices for American military goods, with sales since 1972 amounting to a staggering $14 billion. At a time when increasing payments for foreign oil have contributed to a worsening balance-of-payments ledger, this kind of recapture of funds is not an insignificant economic factor. Also, hundreds of American banks and businesses are involved in Iran, and their financial well-being is increasingly influenced by events in that country. Today, over 41,000 American businessmen, diplomats, technical and scientific experts, military advisers and their dependents live in Iran, and Iranians reside in the United States in even greater numbers, at least 30,000 of them students.

Within the United States, the Shah has implanted a very sophisticated public relations organization. In 1976, concerned by shifting American public opinion toward Iran, the leadership there hired a major American polling organization to gather data on the attitudes of prominent Americans toward the Shah and his government. Numerous influential Americans formerly stationed in Iran as military advisers, diplomatic officers, intelligence leaders, and industrial contractors are today in charge of consulting firms, research institutes and business organizations, all plugged directly into Iran. Many of these figures visit the Shah personally whenever they are in Tehran, and some have better access to him than the official American diplomats stationed there.

Although Iranian opposition voices distort the situation when they claim that the Shah's rule continues only because of American support, there can be no doubt that the United States has been a major factor in the preservation of his throne, partly or mostly because of an entrenched, uncritical national policy position in Washington concerning Iran that stresses the need to continue "amicable" relations with the Shah. Advocates of this position have been very visible and influential in the Pentagon, the National Security Council, the White House, and to a lesser extent in the Department of State. Although this position has not gone unchallenged in any of these settings, it continues to enjoy easy prominence for reasons other than the Shah's skills and salesmanship. Enormous emphasis has been placed on the merits of the Shah while denying until very recently the existence of a serious opposition to his rule.

From the point of view of the American national interest, the time is long past to raise some fundamental questions about the future. The very importance of Iran to the United States suggests

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

that Washington policymakers ought to be concerned about the attitudes toward America of any possible successor regime to the Pahlavis, and how to help shape these attitudes favorably. If time is not on the Shah's side, is it prudent to continue to support him fervently to the very end? Is it politically wise to help him buy a few more weeks, months or even years of time? What has been American foreign policy toward Iran in the past and what might it be in the future?

Since 1971, the U.S. image in Iran has slipped badly. As leading spokesmen of the burgeoning middle classes and Shi'ite religious organizations were harassed, jailed and physically attacked, the United States sent ambassadors to Iran of obvious military and intelligence background. Meanwhile, back in the United States, members of the Iranian royal family were feted and honored for their contributions to "human rights" and "humanitarian services." In Iran, these kinds of occurrences, like the effusive praise of Presidents Johnson, Nixon and Ford for the Shah and his programs, were carefully noted by the middle classes, whose members began to shift the blame for their predicament from the Shah to the United States. The complaints of opposition voices who had long been labeling the Shah a puppet of the United States began to fall on receptive ears. For the first time in decades, American officials became the targets of Iranian terrorists and the U.S. Embassy in Tehran was transformed into a fortress.

Since the end of the Kennedy presidency, the Shah has outpoliticked American leaders. This is not surprising, since he has been a skilled foreign policy strategist. He has personally known every American president since Franklin D. Roosevelt, and over the last 30 years has made 11 official visits to the United States. When Jimmy Carter became president, the Shah was prepared. As he told *Business Week*: "Carter looks like a smart man. He wants to be a winner. I like the way he took his time in picking his Cabinet, slow and studied. Besides, we have many friends in the U.S. Congress, and from what they tell us, I think we can cooperate with the Carter Administration."

With the inauguration of Jimmy Carter and the initiation of a program of liberalization in Iran, the middle classes sensed a major shift in U.S. policy toward their country. Operating under what they mistakenly considered an American protective umbrella, they raised their voices against the regime and waited for the President to come to Iran. In his 1978 New Year's Eve visit to Tehran, Carter only briefly and casually mentioned the subject of human rights, in the process outdoing past presidents in his praise

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

of the Shah. Upon leaving, he fondly told the monarch: "I wish you were coming with us."[4] Stunned and embittered by Carter's performance, the moderate opposition groups turned more sharply than ever away from the United States. President Carter can in no way be blamed for this year of violence in Iran—but neither can he be praised for doing anything to help avert it. What he did accomplish was to further alienate those groups and classes in Iran who spent the year fighting the Shah.

The American diplomatic and intelligence mission in Tehran, one of whose tasks it is to remain au courant with things Iranian, has had a most undistinguished record for many years. The ambassadors and deputy chiefs of mission have, until very recently, been more concerned with confirming Washington's stereotype of Iran than encouraging their diplomats to develop a true understanding of Iranian society. One ambassador routinely warned his diplomats to beware of contracting the deadly disease he termed "localitis." A more recent ambassador was appalled at the Embassy's ignorance of Iran, but in his brief stay he failed to improve the situation. Few American officials have had the linguistic fluency, intellectual curiosity, personal fortitude or occupational time to pierce the crust of Iranian society. When it is occasionally done with a flourish, as when, for example, an official "makes a migration" with a tribal group, it is talked about in Embassy circles for years.

An examination of the Embassy's invitation lists over several years indicates that the same old faces and families have long encircled the American diplomatic community. Speaking impeccable English and often presenting themselves as dedicated voices of the opposition, these members of the social elite have helped shape the official American image of Iran since the mid-1950s. This kind of insulation from the forces actually at work in the country has grown worse over the years, partially because U.S. diplomats pass their "contacts" on to their successors.

In the past 15 years, there have usually been one or two individuals resident in Tehran who have successfully moved out into the society at large, but the reporting system is such that the analyses of these officials have often been smothered or distorted by the political counselor or ambassador over whose signatures

[4] This was widely reported in the Persian press. At the banquet held at Niavaran Palace on the evening of December 31, 1977, President Carter stated in his prepared address: "Iran under the great leadership of the Shah is an island of stability in one of the more troubled areas of the world. This is a great tribute to you, Your Majesty, and to your leadership, and to the respect, admiration and love which your people give to you."

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

these reports must reach Washington. It is no secret in the Foreign Service that Tehran has been the professional graveyard of several fine Foreign Service Officers.

Although State Department officials seldom deny this assessment, they do point out the real difficulties involved. How can American officials in fact get in touch with opposition forces in a country where they are first and foremost representatives to the government in power? How can Foreign Service Officers with a minimum of training in the language, history and culture of Iran be expected to develop communication with Persian-speaking groups and classes? In such a labyrinthine society, how is it possible for a person to really understand anything in a typical tour of only three years? These are certainly legitimate queries, but they should not become stock excuses for an unfortunate state of affairs. With the sensitive nerve endings of the American foreign policy-making system deadened this way, it remains impossible to transmit accurate signals to Washington. And when Washington has its own petrified view, the opportunities for any new perspective on the situation are slim indeed.

V

There is a popular assumption that any successor government to the Shah would be irretrievably anti-American or inevitably pro-Soviet. Although this assumption gains greater credibility the longer the United States unquestionably supports the current regime, it must not stand unchallenged, for it entails serious policy implications.

As the opposition pressures become increasingly unbearable and the economic and administrative infrastructures begin to crumble in the face of incessant violence and sabotage, the Shah may choose to abdicate in favor of his 18-year-old son, Crown Prince Reza, with Empress Farah as Regent. Although this scenario does not appear to be a likely one, this form of government would have to be backed by the military, primarily the more conservative general officers. In the long run, however, the most probable alternative if the Pahlavi dynasty should be destroyed by force and violence is that a left-wing, progressive group of middle-ranking army officers would take charge. Authoritarian rule from the Left would in this instance replace monarchical absolutism of the Right.

Other future political possibilities include a right-wing military junta, a liberal democratic system based on Western models, and a communist government. The first alternative seems, in the long run, more and more unlikely as mass opposition grows and

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

expands. The second is even less probable, given Iran's long history of absolutist-authoritarian rule and the anarchic forces unleashed during the last year of discontent. The communist option also lacks credibility. Communism is anathema to the Shi'ite religious leaders as well as to the masses of Iranian people. Iranian distrust of Russia is deeply rooted in history, and Soviet foreign policy toward Iran has been unimpressive. The political future of Iran would at this point seem to involve either a continuation of some kind of Pahlavi rule or a government led by a radical-progressive military group. There is still an excellent if somewhat diminishing chance that an Iran directed by such a group would desire very close relations with the United States.

The Iranian economic and military infrastructures are American in design. Any successor regimes to the Pahlavis will need U.S. technology, markets and continued military advice and materièl. Furthermore, there will be Soviet pressures that Iranian nationalists will want to resist. Any new government will not want to trade overwhelming American influence for Soviet intervention. Even at this late date, the United States need not fear that a future government in Iran will necessarily be antithetical to American interests, but current policy can clearly influence the future shape of this important relationship.

What might be done? What are the U.S. policy options? Realistically, the two extreme positions must be dismissed. Certainly, continued blind support for the Shah only promises eventual disaster. Any sudden shift to destroy his rule or even to help hurry along his demise also seems ill-conceived. But there are a limited number of possible intermediate policy alternatives:

1. The Shah should be encouraged to continue to open the system up. There is no turning the clock back at this point. Since one likely alternative is the violent destruction of his regime, he might truly have to share power. Perhaps some kind of plebiscite or "new order" might be implemented. Is it unthinkable for the Shah to terminate his dynasty and to become the country's first president? The time for clever political maneuvering and rule by brute force is past. The Shah has recently indicated his willingness to continue reform, and American leaders should press for the deepening and widening of this policy. They will have to do better, however, than the Carter Administration did at the beginning of 1978.

2. Aside from this pressure at the very highest level, the United States might best let the Iranians sort out their own destinies. In the violent months that lie ahead in Iran, the United States ought

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

to indicate its intention of staying out of any showdown. Presidential cheerleading by telephone or threats of military intervention of any kind can only be counterproductive to long-term American interests.[5] Future Middle Eastern Vietnams must be avoided. In this context, it is essential that American decision-makers realize that Iranians read much into the slightest word or gesture made by any U.S. official concerning Iran; theories abound these days in Tehran concerning what Washington has in store for Iran. This grossly exaggerated view of American influence runs deep in Iranian thinking and carries with it the need for a special sensitivity on the part of U.S. leaders.

3. The enormous, indiscriminate and unprecedented military sales to Iran must be slowed and rethought. Are there political considerations that might be more significant than economic justifications? Just what level of armament does Iran need to defend itself? What are the chances that these arms could fall into the hands of an anti-American group? Might not this extremely close military cooperation increase the chances for direct American intervention in Iran?

4. American representatives in Iran need to get in touch. They must be better prepared and assisted in cracking out of the thick ring of unrepresentative Iranians who come down from their villas to explain confidentially what is right and wrong in their country. It is not so much a question of contacting the opposition as of getting to know the religious leaders and the members of the middle classes: the journalists, the poets, the lawyers, the students, the teachers, the middle-level bureaucrats, the respected provincial leaders and especially the middle-ranking army officers. These are the groups who will lead Iran in the future.

Iran deserves a new and deeper look, and events there require us to develop a future-oriented policy. Dare we not rethink our understanding of the Iranian people while at the same time reassessing our national policy toward them?

[5] The large and visible American presence in Iran makes it easier to justify U.S. military intervention in the case of some kind of violent showdown. The Shah is certainly not unaware of this consideration. During the upheaval of 1978, the opposition leaders instructed the demonstrators not to harm or attack any Americans in the country. By late November, however, incidents of anti-Americanism had increased significantly.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Abba Eban

CAMP DAVID – THE UNFINISHED BUSINESS

When the last issue of *Foreign Affairs* went to press in late August, few readers can have believed that by early fall Egypt and Israel would be negotiating a peace treaty. The only sure way of predicting the future is to have the power to shape it, and here the actors in the field have a great advantage over even the most learned commentators. The army of pundits and experts that marches in the procession of international affairs is becoming very much like the chorus in Greek tragedy, whose vocation was to express musical consternation at events that it was powerless to control.

Even after Camp David these are precarious times for the commentators. There is no full certainty yet of a new and stable Middle Eastern order, and Anwar Sadat and Menachem Begin should make the most of their Nobel laurels while the euphoria persists. Autumn foliage has a bright but fleeting glow. The hard truth is that on the most crucial and complex issue—that of the Palestinians and the West Bank—the Camp David signatories did little more than postpone their confrontation by the kind of semantic dexterity that is quick to wear out.

Yet no amount of prudent reserve can diminish what they have already achieved. Like all negotiated compromises the Camp David agreements have their detractors. But the noisy anguish of the militants on both sides merely enhances the impression that a victory has been won for temperance and equilibrium. Nearly two centuries have passed since Benjamin Franklin said: "I have never known a peace made, even the most advantageous, that was not censured as inadequate, and the makers thereof condemned as injudicious or corrupt."

The Camp David signatories have not escaped this fate. Sadat is censured only by the Arab radicals for whom any peace with Israel, "even the most advantageous," would be total heresy. Begin, on the other hand, comes under converging fire. Some denounce him for having disposed of Sinai—and of his own past slogans—with too much speed and too little recompense. Others,

---

Abba Eban, Foreign Minister of Israel from 1966 to 1974, is now one of the leaders of the opposition Labor Party in the Knesset. In the current academic term he is a Member of the Institute for Advanced Study at Princeton.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

more shrewdly, suspect that his concessions in Sinai were designed merely to be the cover for continued obduracy in the West Bank and Gaza. A third school (to which I belong) believes that Mr. Begin's sincere intention is, as he himself asserts, to maintain permanent Israeli control everywhere west of the Jordan, but that the agreements that he has signed have their own contrary dynamic so that Arab "self-government," once put into effect, would inexorably lead to an Arab rather than an Israeli destiny for the West Bank. History works more in paradox than in logic, and the rational consequence of "self-government" should interest the Palestinians more than the contradictory and varied intentions of its proponents.

II

No matter how these complexities evolve, the Middle East is set on a new course, and nothing after Anwar Sadat's voyage to Jerusalem can ever be the same again. His main achievement was to separate our future from our past. Both nations, Arabs and Israelis, give great reverence to history. But the past is the enemy of the future. The images that the Arabs deduce from their history do nothing to prepare them for the idea of a sovereign Jewish state in what they call "the Arab region." For them the Middle East, in the political sense, is a monolith of a single, Arab-Muslim, color; for us it is a tapestry of many colors of which the salient thread was woven by Jewish experience centuries ago. Jews do appear in the turbulent drama of Arab history, but always as subjects, members of a deviant religious faith, merchants and craftsmen, scholars, doctors and advisers, sometimes as the objects of transient tolerance, more often as the victims of intolerance and persecution, but never as the bearers of an autonomous political and territorial legacy. The Arab intellectual torment about the reality of modern Israel is authentic, and should not be taken lightly.

In similar degree, Israel's past is not conducive to easy conciliation. Our national experience is tragic. It therefore generates a traumatic reaction to any new condition bearing on our physical security. Israelis, as the product of Jewish history, are more aware of the dangers than of the opportunities involved in any grave decision. Israel's meticulous vigilance about physical security should be understood even by those who find it inconvenient.

Anwar Sadat's great achievement in November 1977 was to make a simultaneous breach in the walls of Arab rejection and Israeli suspicion. For the first time, the Arab world was presented with a

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

vision of the Middle East that did include the sovereign Jewish State of Israel. The promulgation of this vision by a major Arab leader marked an ideological revolution in modern Arab history. The rhetoric and literature of rejection lives on elsewhere, but on November 19, 1977 it lost its dogmatic force, and can no longer be described as the normative Arab doctrine.

On the same day, Israelis, for the first time, began to look upon peace, not as a unilateral fantasy, but as a concrete and vivid diplomatic possibility. Some of us have always believed that, once peace became a credible prospect, the Israeli consensus about the value of certain territories would undergo a sharp transformation. Sadat was the first to put this to a convincing test, and his reward was dramatic. The truth is that at every stage during the past decade, the Arab refusal of peace has been the primary issue, to which the Israeli attitude on territorial change has been subsidiary. A nation can be empirical about the negotiation of its boundaries, but not about its own legitimacy.

III

If Camp David produces a viable and effective peace treaty between Israel and Egypt, what is the exact scope and limitation of the achievement? The fact that the Middle East deadlock has been broken by something that falls short of a "comprehensive" settlement has caused rage in the radical Arab countries, embarrassment in parts of Egyptian opinion, and some restraint on enthusiasm in the Western world. It is important to recall that Sadat's voyage to Jerusalem evoked ambivalent sentiments in the American policy-making establishment and in Europe. It cut clean across the prevailing fashions both in the procedure and in concept. It was difficult not to salute the first real gleam of peace on the Middle Eastern horizon, but there was a curiously disconcerted reaction to the new trend. In many Foreign Ministries the response could be summed up in the phrase, "Yes, but . . ." Was an agreement useful if it was "only" with Egypt? Might this not radicalize the rest of the Arab world? Sadat was inaugurating a process that deliberately excluded the Soviet Union and the PLO. Was this wise? Even if he obtained a treaty with Israel and an agreed statement of principles about the future of the Palestine Arabs, would not this still be far from the "comprehensive" agreement that the United States and other Western governments had enunciated as the highest, and, indeed, the only good? Reservation followed objection in a cascade of troubled skepticism. And all the doubts were summarily expressed in a curious nostalgia for Geneva.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

I take my full responsibility for my own part in the decision to establish the Geneva Peace Conference in 1973 as a means for ensuring the cease-fire and disengagement and securing Arab agreement to such previously forbidden ideas as "negotiation" and "peace between Israel and Arab States." (These had all been forbidden words in the vocabulary of the United Nations for over 20 years, and none of them had appeared even in Resolution 242.) But by 1977 it should have been plain that deliverance could not possibly come by means of a spectacular international conference in which all the parties—Israel, Egypt, Syria, Lebanon, Jordan, the Palestinians, the United States, the Soviet Union, the United Nations—would simultaneously negotiate agreements on all the territories, all the aspects of peaceful relations, all the security checks and balances and all the interlocking interests of all the parties. Sadat has done chivalrous service to the United States by rescuing it from this quagmire of impossible perfection. And American diplomacy has shown a wise humility in changing course so as to accommodate itself to the atmosphere and results of the Jerusalem and Ismailia meetings of late 1977. If you try to involve all the parties in the solution of all the issues, you give a veto power to the most intractable issue—and to the most obdurate party.

Nations are accustomed to appoint commissions of enquiry to ask themselves what went wrong. After the undoubted success of Camp David, it is important to define what went right. This event has intrinsic significance for the Middle Eastern dispute, which is still far from fully resolved, and exemplary importance for what it can teach us about diplomatic concepts and techniques across a wider field.

It was right to avoid making Geneva another of the Holy Places of the Middle East. The Middle Eastern capitals and Washington are more natural as well as more stimulating venues. And it was right to neutralize Camp David from the encroachment of the news media. The most disruptive change in the diplomatic tradition during this generation has been the vast encroachment of publicity on negotiation. It is right, and indeed inevitable, that agreements should be published; it is quite another matter when every negotiating phase, every trial balloon, every tentative idea has to be submitted by the negotiators to their own constituencies through the press before final agreement is secured. Seated on a stage with the whole world as audience, statesmen are more likely to illustrate their virile nationalist fundamentalism than be caught in the flagrant act of concession. Compromise is the key to successful negotiation; and compromise, in essence, means that

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

you accept today what you vehemently rejected as inadequate a week before. This is a necessary and salutary exercise, but is not something that political leaders like to be photographed doing. I am convinced that if the concessions agreed to by Sadat and Begin had been reported to their constituencies before—and without—the compensating advantage of the final ageement, the entire effort would have been frustrated at an early stage.

It was right to prefer private conciliation to public multinational debate. Camp David stands as a posthumous monument to the disinterested legacy expressed by Dag Hammarskjold in his final report. In theory, he should have been the high priest of open, public diplomacy. In practice he became convinced of the limitations and even the injury of multilateral debate: "The best results of negotiations between two parties cannot be achieved in international life any more than in our private world in the full glare of publicity, with current debate of all moves, avoidable misunderstandings, inescapable freezing of positions due to considerations of prestige—and the temptation to utilize public opinion as an element integrated into the negotiation itself."

IV

The degree of common understanding already achieved between Egyptian and Israeli leaders throws a light on many other corners of fact and hypothesis that were obscure during the decades of immobility. A deathblow has been dealt to the theory of irreconcilability, according to which the Arab-Israeli dispute, unlike all others, was inherently insoluble, endemic, implacable, deeply embedded in the very bloodstream of Arab culture, and capable at best of transient and illusory periods of relative quiescence. In the Arab world this defeatism had become axiomatic, and in Israel it had been elevated into an academic discipline which never became fully canonized or officially endorsed, but which made great inroads on the nation's mood.

The truth is that what nations say to each other at the negotiating table bears little relation to the speeches that they were making a few weeks before. Pre-negotiation rhetoric is discarded without too much difficulty under the transforming effect of human encounter. For some time after the Six Day War in 1967, Israel insisted that direct meetings with Arab representatives were an essential condition of progress. We were persuaded to relinquish this view in deference to friendly counsel that implored us not to make an issue of mere procedure and prestige. What did it matter how peace was obtained, if it could be secured even by unconven-

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

tional courses? There were bizarre Soviet proposals in the early 1970s for making peace by the "depositing of documents." Israel, as it were, would put the territories in an envelope and slide them under the Arab door, and the Arab states would wrap peace in a package and deposit it for Israel's acceptance in a post office box at Geneva. Experience has proved that encounter is a matter of substance, not merely of form. Negotiation does not merely photograph positions; it is capable of transforming them in a process of authentic interchange.

On the other hand, the insistence that negotiation must be "direct," without any mediation beyond the use of good offices, has not prospered. Israel and Arab states have been brought to contractual agreements only when mediation has been assertive, as with Ralph Bunche in 1949, when he was acting U.N. mediator in Palestine, Secretary of State Kissinger from 1973 to 1975, and President Carter in 1978. When mediation has been excessively amiable and passive, as with U.N. Special Representative Jarring in the late 1960s and Secretary of State Rogers from 1969 to 1971, the objective potentialities of agreement have not been fully explored.

Above all, there has been vindication of a gradualist approach to conflict resolution. The interim and disengagement accords of 1974 and 1975 were indispensable stages toward peace. They proved that negotiation could produce benefits, that agreements could be kept, that there was usually more than one possible solution for dilemmas of physical security, and that modest partial agreements were more likely to develop a positive momentum toward further agreement than to "freeze" situations or "destroy incentives" as the critics of Kissinger and of the disengagement agreements seemed, or professed, to fear. When you descend to earth from an exceptionally tall ladder, it is often prudent to use the intervening rungs, rather than seek posthumous glory by a single leap.

V

The debate about "comprehensiveness" as against separate or phased agreements remains unresolved by the Camp David accords. This is not a procedural or technical discussion at all. It takes us deep into the essence and nature of Arab nationalism, and non-Arabs who are vitally affected by its outcome have no duty to withhold their impression and counsel.

Anwar Sadat's critics virtually deny the contractual sovereignty of individual Arab States. According to their theory, you have

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

made no valid contract with any part of the Arab world unless you have made it with all that world; and the Palestinians are the arbiters of legitimacy, honor and solidarity in inter-Arab relations. This doctrine was expounded in its most extreme and eloquent form in the July issue of this journal:

> The Arab states' system is first and foremost a "Pan" system. It postulates the existence of a single Arab Nation behind the facade of a multiplicity of sovereign states . . . . From this perspective, the individual Arab states are deviant and transient entities: their frontiers illusory and permeable; their rulers interim caretakers, or obstacles to be removed . . . . Their mandate is from the entire Arab Nation. Before such super-legitimacy, the legitimacy of the individual state shrinks into irrelevance . . . .[1]

Observe that the Arab Nation is in capital letters, while the Arab states have to be satisfied with a lesser orthographical dignity. The indivisibility of Arab nationhood, and therefore of Arab diplomacy, is thus asserted with the solemnity of revelation. It is a dogma to be accepted, not a point to be argued. Indeed, the text goes on: "It is this resonance [of the concepts of pan-Arabism] that gives them sanctity as dogmas."[2]

It is clearly a momentous event in Arab history when the leader of the largest Arab state openly revolts against this sanctity and these dogmas. And it is significant that peace between Israelis and Arabs can only be approached and perhaps even attained when the sonorous rhetoric of pan-Arabism has been tempered with a due measure of pragmatic realism. The tension between unity and particularism runs throughout the whole of Arab history. There is a sense in which all men of Arab speech are a single community, linked by the special social energy that Ibn Khaldun called "assabiya," a unifying spirit that gives coherence to the Arab historic adventure. But there are also domains in which the separate sovereignties of Arab states are much more than juridical fictions. To wait until all the 22 states and the Palestine people have a simultaneous and equal interest in a settlement with Israel is to postpone peace until a Messianic age in which the need for diplomatic craftsmanship will, in any event, be transcended by divine grace.

Sadat's voyage, with a clear mandate from the popular sentiment of Egypt, proved that the Arab world is marked not only by solidarity, but also by diversity. The strong assertion of national

[1] Walid Khalidi: "Thinking the Unthinkable: A Sovereign Palestinian State," *Foreign Affairs*, July 1978, p. 695.
[2] *Ibid.*, p. 696.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

particularism, within a general assumption of Arab unity, has been more prominent in Egyptian literature and politics than in those of other Arab states. If peace is a vital objective for the international system, and if Egypt is under stronger compulsions and constraints to pursue peace than are other Arab communities, the non-Arab world has no rational course but to respect Egyptian sovereignty as a legitimate reality, and not as a "deviant and transient entity" or a "facade." The PLO's disrespect for the sovereignty of Arab states has got the Palestinians into no less trouble, and into more frequent and sanguinary violence, than its quixotic and virulent doctrine of Israel's "illegitimacy."

VI

While the Camp David document on a peace treaty between Egypt and Israel is reasonably specific and clear, the document relating to the West Bank and Gaza is deliberately equivocal. Both Begin and Sadat portray it as consistent with their previous positions. One of them has clearly got it wrong. My conviction is that the future of these territories and populations will be determined less by the fine print of the document than by the realities that lie beyond and behind the text.

Equivocal language is often used in diplomacy to cover up disagreement on issues which must be included for some reason in a larger settlement, or which must be dealt with as if there was agreement. In other words, there is a degree of complicity involved in the ambiguous language. There is nothing inherently wrong in this practice, so long as the parties know what they have done and do not delude themselves with the hope that their joint signature creates a common policy.

Whether the absence of progress on the Palestine question would impair the fulfillment of an Egyptian-Israeli treaty is not so much a juridical question as an issue of political determination and regional atmosphere. Just as PLO supporters are wrong in assuming that Egypt has no particular interests to be legitimately defended within the terms of its sovereignty, so would Israelis err badly if they thought that Anwar Sadat's independence of spirit reflected an intention to resign from the Arab family. Continued deadlock on the future of the West Bank and Gaza would, at the very least, injure the Egyptian-Israeli treaty relationship.

The most dubious aspect of the Camp David agreement, as drafted on September 19, is the underlying assumption that the major problems remain to be decided only after three or five years. It would be more realistic to assume that a Middle Eastern

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

crisis could arise in full intensity within a few weeks of an Egyptian-Israeli treaty. The danger can be forestalled or surmounted only if Israel and the Palestinians move beyond their present attitudes.

Israel's urgent need is to grasp that the avoidance of Israeli rule over the million Palestine Arabs in the West Bank and Gaza is not only a concession by Israel to her adversaries, but also a service that Israel should render to her own interest and destiny. It is legitimate and, indeed, crucial to improve the security prospect by defensible boundaries that would involve changes of limited size which could be crucial in their strategic effects. Previous Israeli governments have always assumed that in a peace settlement there would have to be an international boundary constituted somewhere west of the River Jordan. The partition logic cannot be denied, even if it takes different cartographical forms. History has created such a duality of national identities that any unitary framework can only be coercive and morally fragile. Not for one second in the 24 hours of each day do the million Arabs in the West Bank and Gaza share a common emotional experience, a common vision or a common dream with the Jews now living under Israel's sovereign law. On the one side there is a total saturation with Hebrew speech, Jewish experience and Zionist values. On the other side, every sound and sight, every movement of heart and mind respond to the images and associations of Arab history. Neither of these two worlds seeks harmony with the other through any compromise of its separate nature. The areas are properly described as Judea and Samaria, but this does not make their inhabitants Judeans or Samarians. They are Arabs in all their notions and fidelities.

It might have seemed quixotic a few months ago to urge an Israeli government under its present leadership to accept Arab sovereignty in most of the West Bank and Gaza, subject to agreed improvements of the Israeli boundary. But the autonomy proposal signed by Mr. Begin at Camp David could serve as a natural bridge to such a solution, which the Labor Alignment still supports. Nobody in his senses would have predicted a few months ago that Mr. Begin, Mr. Dayan and Mr. Weizmann, with the concurrence of Mr. Ariel Sharon, would approve a document laying down that "the Israeli military government and its civilian administration will be withdrawn as soon as a self-governing authority has been freely elected by the inhabitants of these areas to replace the existing military government," and further that after a transitional period "the elected representatives of the inhabitants of the West Bank and Gaza [shall] decide how they shall govern themselves consistent

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

with the provisions of their agreement." There is also to be "a withdrawal of Israeli armed forces . . . and . . . a redeployment of the remaining Israeli forces into specified security zones," and "a strong local police force . . . which may include Jordanian citizens."

The emphasis and atmosphere of this language point clearly to a drastic reduction of Israel's involvement in the life and future of the Arab-populated areas of the West Bank and Gaza. Mr. Begin is too precise and intelligent a man for us to believe that he does not comprehend how short a step separates this kind of "self-government" from some form of eventual Arab sovereignty. Anyone who rules out the idea of ultimate Arab sovereignty in large areas west of the River ought not to have signed the Camp David accords. Those of us who approve and accept those agreements should understand clearly what it is that we approve and accept.

VII

The prospect is that Israel will be smaller in the territory that it controls, but will have a larger world-arena in which to deploy its resources of dynamism and intellect. The conflict with the Arab world has been the sustaining myth of Israeli society. It has created our military priorities, our economic predicaments and our international dilemmas. Its general effect has been oppressive, but not all the results have been negative. It has set up an entire system of defensive and compensatory reactions, including the creation of a formidable military power and a commercial and economic system more far-flung, sophisticated and resilient than we would have had to create if Arab markets, rather than those of the European Economic Communities and the Atlantic world, had been our major economic arenas. And because our lives were at stake we developed solidarities that might not otherwise have triumphed over the disruptive and diverse elements in the Jewish character and experience. Future historians may well pay tribute to the conflict as the inadvertent architect of Israel's strength. Yet most Israelis will prefer the difficult and creative challenge of regional coexistence to the familiar zest of embattled siege.

VIII

The negotiators at Camp David may have shown deficient tact in allotting so large a place in their program to Jordan without associating Jordan in their discussion. But this failure does not liberate Jordan from the inescapable fact that a decision by King

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Hussein in June 1967 created the anomalies and tensions that surround the future of the West Bank. If most Israelis believe that it would be rational to trust a Jordanian role in preventing injury to Israel's security from the West Bank, whereas it would be foolhardy to entrust that function to Palestinians affiliated to the PLO, it follows that Jordan's refusal to join the Camp David agreements has the paradoxical effect of prolonging direct Israeli administration beyond Israel's own desire. The irony is all the deeper when we reflect that King Hussein was the intellectual pioneer of the notion that, since Israel was manifestly permanent, it would be more rational and useful for the Arab world to come to terms with her than to sustain the endless misery of an interminable state of war. There are moments in international, as in national life, when passivity is an extreme form of intervention, and on the wrong side at that.

To associate Jordan in the peace process may be more feasible after the Egyptian treaty is concluded than before. Washington showed an excess of zeal by undertaking diversionary conversations with Jordanian and West Bank leaders at a time when every resource and preoccupation should have been focused on the Egyptian treaty.

IX

In the final resort, the Arab cause in the West Bank will stand or fall by the decision of the Palestinian Arabs. Their diplomatic history refutes any idea that nations usually act in their own best interest. They have invariably rejected what has been available to them, only to look back nostalgically on the rejected proposal after its availability had expired. I should be less than frank if I were to deny that there are those in Israel who count, without excessive anguish, on the likelihood that this will happen again.

But there is also a deep stirring of minds and consciences in Israel, greatly stimulated by Sadat's audacious voyage; and the desire to explore a new harmony between Israelis and Palestinian Arabs has taken a strong hold on the national imagination. Many of us who thought that there were better solutions than the "self-government" proposal of Camp David are supporting that proposal precisely because of its open character. If it does not satisfy the Palestinian national ambition, it certainly does not preclude any rational option; and it can be left to the momentum of historical development to decode the obscurities of the Camp David accords. The Palestine Arabs have the great advantage of their massive physical presence. When the status of areas is

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

decided, this reality cannot for long be ignored.

My experience teaches me that men and nations do behave wisely, once they have exhausted all the other alternatives. All of us in the Middle East share great burdens of regret for the rich potentialities that have been allowed to flow away into an ocean of tears that need never have been shed. Our goal today should be not merely a secure peace, but the creation of a Middle Eastern community of sovereign states, with a free commerce of men and goods moving across open bridges and borders in such intensity of interaction, such mutuality of discourse and contact, that in the course of time we shall hardly be mindful of where the political boundaries are.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Fouad Ajami

THE END OF PAN-ARABISM

Political ideas make their own realities. Often in defiance of logic, they hold men and are in turn held by them, creating a world in their own image, only to play themselves out in the end, shackled by routine problems not foreseen by those who spun the myth, or living past their prime and ceasing to move people sufficiently. Or, political ideas turn to ashes and leave behind them a trail of errors, suffering and devastation.

An idea that has dominated the political consciousness of modern Arabs is nearing its end, if it is not already a thing of the past. It is the myth of pan-Arabism, of the *Umma Arabiyya Wahida Dhat Risala Khalida*, "the one Arab nation with an immortal mission." At the height of its power, pan-Arabism could make regimes look small and petty: disembodied structures headed by selfish rulers who resisted the sweeping mission of Arabism and were sustained by outside powers that supposedly feared the one idea that could resurrect the classical golden age of the Arabs. As historian Bernard Lewis summed it up little more than a decade ago, allegiance to the state was "tacit, even surreptitious," while Arab unity was "the sole publicly acceptable objective of statesmen and ideologues alike."[1] What this meant was that states were without sufficient legitimacy. Those among them that resisted the claims of pan-Arabism were at a disadvantage—their populations a fair target for pan-Arabist appeals, their leaders to be overthrown and replaced by others more committed to the transcendent goal. Now, however, *raison d'état*, once an alien and illegitimate doctrine, is gaining ground. Slowly and grimly, with a great deal of anguish and of outright violence, a "normal" state system is becoming a fact of life.

No great idea passes from the scene without screams of anguish, protests of true believers, and assertions by serious analysts that the idea still stands—battered, transformed but standing nonetheless—and debate about the vitality of pan-Arabism continues, for it is still far from accepted that the idea has been eclipsed. Writing in the July 1978 *Foreign Affairs*, Walid Khalidi reaffirmed the

[1] Bernard Lewis, *The Middle East and the West*, New York: Harper and Row, 1964, p. 94.

Fouad Ajami is Assistant Professor of Politics at Princeton University and currently Research Fellow at The Lehrman Institute in New York City. The article is drawn from a paper presented at The Lehrman Institute.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

vitality of the pan-Arabist idea. He observed that the Arab system is "first and foremost a 'Pan' system. It postulates the existence of a single Arab Nation behind the facade of a multiplicity of sovereign states. . . . From this perspective, the individual Arab states are *deviant* and *transient* entities; their frontiers illusory; their rulers interim caretakers or obstacles to be removed." Before the "super-legitimacy" of pan-Arabism, the legitimacy of the Arab states "shrinks into irrelevance." In such a system, "explicit or transparent *raison d'état* is heresy."[2] What is normal for others is abnormal in the Arab world. Since Arab states are really deviant entities, which in time will pass from the scene, they are to be constrained in what they do for statehood. Nothing less than a pan-Arab superstate will do.

A second view is that of Mohamed Hassanein Heikal, once the propagator of Nasserist ideology and today one of the bearers of the myths—in President Sadat's pejorative description, one of the high priests of the Nasserist temple. Heikal, who once made the distinction between Egypt as a state and Egypt as a revolution, and who defended the right of the "Arab revolution" to interfere in the internal affairs of Arab countries, now grudgingly concedes that the state has triumphed over the aspirations of pan-Arabism. He has recounted a conversation he had with Secretary of State Kissinger during the latter's shuttle diplomacy in the Middle East in which he told Mr. Kissinger that Egypt was not merely a state on the banks of the Nile, but the embodiment of "an idea, a tide, a historical movement." To this Mr. Kissinger is reported to have said that he himself could not deal with latent intangible forces, or negotiate with an idea.

The Sadat diplomacy—of which Mr. Heikal is a critic—seemed to sustain the Kissingerian view. The idea that Heikal once brandished in the face of Nasser's rivals has lost its lure and power. Everyone, laments Heikal, recognizes that "the idea, the tide, the historical movement" is absent and that the party sitting across the negotiating table is the Egyptian state with its limited frontiers, resources and calculable interests.[3]

Heikal has reiterated this view that the Arab system is on the defensive, that "it has been forced to retreat in disarray," in this journal. Egypt, "for so long the mainstay of the Arab system," has opted out of it; the opportunity afforded by the October War of 1973 to put the system on solid foundations was lost, with the fault presumably in the decision-maker's judgment. Faith intrudes,

[2] Walid Khalidi, "Thinking the Unthinkable: A Sovereign Palestinian State," *Foreign Affairs*, July 1978, pp. 695–96 (emphasis added).

[3] Mohamed Hassanein Heikal, in *Al Anwar* (Beirut), April 15, 1978.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

however, for Heikal ends on an upbeat note. The Arab system may suffer a temporary setback, but it could bounce back (presumably when the Egyptian decision-maker sees the error of his ways), because the Arab world possesses a vitality that makes "the real constituency of any Arab leader the Arab world as a whole."[4] Once again, the leader's constituency does not end with the boundaries of his state: even when the idea is violated, it still possesses sanctity and recuperative power.

The story of pan-Arabism's retreat goes deeper than Sadat's policy. And, to be sure, it has nothing to do with Mr. Kissinger's diplomacy, for, whatever the carrots and sticks in his bag, Mr. Kissinger could not remake Arab history or defeat a compelling idea. The willingness of the Egyptian state to be more like other states—to negotiate for itself—had nothing to do with Mr. Kissinger's diplomatic tactics, but was rather the result of changes and transformations within Arab politics itself. Reason of state had already begun to prevail in inter-Arab affairs, and pan-Arabism had lost its hold over the popular imagination several years before Kissinger appeared on the scene with a distinct preference for an "Egyptian solution" and an aversion to dealing with "historical movements."

II

Pan-Arabism's retreat began in 1967 after the Six Day War, which marked the Waterloo of pan-Arabism. In the immediate aftermath of the war there was no competing system of legitimacy—in fact, very little if any legitimacy remained in Arab politics as a whole. The regimes had survived, but the defeat had dishonored practically all of them and had devastated, in particular, the pan-Arabists in Cairo and Damascus. No regime could have gone its separate way then. The "radical" regime in Cairo would capitulate to the will of the oil states led by Saudi Arabia, but the oil states would not press their victory too far or too hard. The military defeat was sustained directly by the armies of Egypt, Syria and Jordan—for all practical purposes and in terms of inter-Arab politics, by Egypt—but the defeat had underlined the vulnerability of the Arab system of states, the bankruptcy of the Arab order and its guardians, whether radical or conservative. The champions of pan-Arabism were defeated in the Arab system; the idea had lost its magic. Yet particular states were still captives of a status quo erected by the defeat, which they could neither undo nor indefinitely live with.

[4] Mohamed Hassanein Heikal, "Egyptian Foreign Policy," *Foreign Affairs*, July 1978, p. 727.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Opportunity to break out of that situation and to assert reason of state would arise with the October War. The irony is that the war which Mr. Heikal and others looked at as an opportunity to revive the Arab system, was precisely the event that would enable reason of state to challenge the then feeble but still venerated pretensions of pan-Arabism. The logic that triumphed in October 1973 was not the pan-Arabist one held up by Nasser and the Baath, it was the more limited notion of solidarity preferred by those states that had long opposed pan-Arabism. What President Sadat was to do subsequently was read the results of October 1973—more accurately perhaps, to use the results—and to stake out a large territory of independent prerogative for Egypt and himself. What might have been an Egyptian temptation between 1967 and 1973, particularly under President Sadat in the second half of that period, could be done in the aftermath of the October War because it was only after that war that the man at the helm of the Egyptian state was in command. The "honor" of the state had been redeemed. Egypt's sacrifices and what Mr. Sadat called "the size of the victory" on the Egyptian-Israeli front—presumably larger than it was on the Syrian-Israeli front, as it had been nonexistent on the Jordanian and Palestinian front—would be used to legitimate a break with the Arab system.

Times had changed; so had the leader in charge. Whatever his frustrations with the Arab system—and they were plentiful—Nasser was too much a captive of that system to break with it in the same manner and to the same degree as Sadat. Given his personal makeup, his history, the constituency he had acquired, and the images he had manipulated, the best Nasser could do was moderate his policies and set the stage for someone less tied to the policies of the past. Even in defeat Nasser was still a pan-Arab hero: his victories lay in the Arab system, for after 1967 there was very little left in Egypt to point to with much pride.

Whatever his dreams were prior to 1967, Nasser was a changed man after the Six Day War. He was willing and able—or almost able—to strike a bargain with none other than King Faisal of Saudi Arabia, and for the last three years of his life he managed to forge an alliance with the Jordanian monarch, who had long been one of his political rivals. Finally, he would accept the Rogers Peace Plan and implicitly renounce much of what he had stood for in the past. His pan-Arab constituency (that part of it which did not defect, that is) was of course willing to extend to him the benefit of the doubt. His reconciliation with Saudi Arabia was stormy and problematic enough to exonerate him in the eyes of his followers. His alliance with King Hussein provided rather more material for

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

disillusionment, for his ally was the enemy of the Palestinians. But here again, as Malcolm Kerr so aptly put it, Nasser's "incredible luck stayed with him into the grave," for, to most of his followers, he "died as a martyr to the cause of Arab brotherhood" as a result of the strain of the Jordanian civil war negotiations and his concern for the plight of the Palestinians.[5] As for his acceptance of the Rogers Peace Plan, that could easily be brushed aside. To this very day his followers maintain that it was a tactical decision, buying time to prepare for another military round. The burden of the past was far too heavy to have allowed Nasser the same margin for maneuver even if he had wanted to abandon the pan-Arab cause.

Anwar Sadat had never excited a pan-Arab audience and had never been a hero. But if he lacked the hero's stature, he also lacked the hero's reputation, and was free of the chains that tie heroes to their great deeds. If anything, Sadat would find it a bit gratifying—and this is only human—to slay the myth of his predecessor, a man he had once known as an equal and who had managed to rise above Sadat and other colleagues to heroic proportions in no small part through the love and devotion of people in distant Arab capitals. Sadat could hope to compete with his predecessor in Egypt proper, but in the Arab world his predecessor was larger than life. Perhaps in Sadat's "Egyptianness" there is a desire of sorts to move from Nasser's shadow into a smaller arena where his predecessor is more subject to errors and to a normal, more tangible audit.

With the pan-Arab hero out of the way, the conservative Arab states would find it easier to deal with his successor, a less ambitious man, more accepting of boundaries and ideological differences. That is why Sadat could enlist those states in a joint endeavor like the October War, a feat which Nasser might never have been able to accomplish. That Sadat would eventually go further down the road of autonomy than the limits preferred by the oil states is one of the supreme ironies of recent Arab politics. Where the oil states once feared Egypt's meddlesome politics, they lived to experience the fear of her disengagement from pan-Arab responsibilities. The threat that once emanated from her radicalism and pan-Arabism receded; a new threat came from her separate and independent nationalism. Of all the Arab states, Egypt is the largest, the most politically stable, the most legitimate within her boundaries. This enabled Egypt to give pan-Arabism concrete power, and then, when she tired of it, to turn inward. The oil states had wanted from Egypt an abandonment of the pan-Arabist ideology and

[5] Malcolm Kerr, *The Arab Cold War*, New York: Oxford University Press, 1971, p. 155.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

acceptance of the logic of the state system, and they got that. What Sadat's diplomacy was to show was that states—or, more precisely and aptly, the leaders of states—could read their interests differently and independently.

III

Sadat's diplomacy was the most dramatic illustration of the weakness of pan-Arabism and objectively the most important, if only because Egypt had been, as Mr. Heikal rightly states, "the mainstay of the Arab system." But throughout the preceding decade there had been other "revolts," other "separatist" attacks against the monolithic pan-Arab doctrine. It is only within the context of those other attacks that the Sadat diplomacy can be correctly situated in Arab politics.

The Palestinians launched the first post-1967 attack against pan-Arabism. Given their predicament, their economic and political dependence upon the Arab states and their lack of a territorial base, theirs had to be a different kind of attack. But there was no doubt that those who rallied around Yassir Arafat and George Habash in the aftermath of the Six Day War had given up on pan-Arabism—the first group in the name of Palestinian nationalism, the second in the name of social revolution. The duel that raged between the Palestinians and the Nasserites from early 1968 until Nasser's death in 1970 was in essence a fight about the independent rights of Palestinian nationalism. If the Arab states could not protect themselves against Israel, let alone do something for the Palestinians, then the latter were to construct their own independent politics. In the final analysis, it was Arafat's brand of nationalism, with its pledge of nonintervention in the internal affairs of Arab countries, that found its way into the organized Arab state system, rather than George Habash's revolution. Arafat's narrow focus on Palestinian nationalism and his avoidance of social and ideological issues were in keeping with the new tenor of Arab politics, and that is why Arafat's course found a reasonable measure of support in Riyadh: in his strict Palestinian nationalism there was an acceptance of reason of state. That acceptance was not applicable to the two "sanctuaries," Jordan and Lebanon, hence the two civil wars in which the Palestinians came to be involved.

Another crack in the pan-Arab edifice was the virtual end of the Baath Party, the pan-Arab party that took seriously its mission of bringing about the one Arab nation. A shell called the Baath remains, and it claims power in both Iraq and Syria, home to the Baath in the post-World War II years, but President Hafez al-

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Assad is cut of different cloth. A cautious member of a minority sect, he harbors no illusions about Arab unity and is probably the first leader in modern Syrian history to make peace with Syria's national situation and to accept the limitations of geography and resources. Since his rise to power in 1970, he has managed to rid Syria of a great deal of its romanticism and extremism, and to move it to the center of Arab politics. To do so, he put an entire tradition behind him by accepting a reconciliation with King Hussein, and abandoning the infantile Baathist notion of bringing Egypt into the pan-Arab fold and making her do their bidding for them. He has also tried, as his cumulative record in Lebanon would demonstrate, to tip the scales against those with a penchant for extreme solutions. Thus, in June 1976, he intervened against his former allies—the leftist Palestinian/Muslim alliance—and then in February 1978 against the Maronite Christian militias when it became clear to him that their aim was nothing short of partition.

The threat of a partitioned Lebanon is yet another serious challenge to pan-Arabism in a decade of setbacks. This challenge comes from an area that never accepted the idea of Arabism but made a peculiar kind of peace with it, namely, Christian Lebanon. As long as the Arabists accepted Lebanon's unique identity and situation, Lebanon could find its role and place in the "Arab family" as a link between the Arabs and the West: as a place for those who played and lost in the game of politics and needed a place to write their memoirs or plot their return to power; as a playground for Saudis and Kuwaitis who wished to escape the climate and puritanism of their own countries; as a banking haven for Syrians who wanted to flee from the politics and intrigues of the military and the economic irresponsibility of would-be socialists. Lebanon, so it was believed, could have it both ways: live off the Arab world yet think of itself as a piece of the Occident. Arabism was far away; one could pay homage to it and go about the business of trading, publishing, smuggling, banking.

This worked as long as the Arab-Israeli conflict was removed from Lebanon's soil—a situation that changed after 1970, when the Palestinians, expelled from Jordan, made their political home in Lebanon. Then the glib, superficial Arabism of Lebanon met a test it was destined to fail. The leaders in the Christian community who had known the Arab system and made their peace with it lost to those for whom Arabism and Islam were synonymous, and who believed in their own cultural supremacy and the backwardness of the Arabs. Convinced that they were being abandoned by the West (they too had heard of the "decline of the West"), resentful of the post-October 1973 wealth and prominence of the Muslim Arab

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

states, losing control over a country that had gotten too "Palestinianized" and radicalized for their taste, aware that the demographic facts were shattering the myth of Christian majority, the Maronites would do what would have been unthinkable yesterday: after a brief reliance on a Syrian connection, they opted for a break with the Arab system—an alliance with Israel and a full commitment to partition.

Through it all, the advocates of partition would be helped by the obvious culpability of the Arab states, which had exported the "sacred Arab cause"—the Palestinian issue—onto Lebanese soil. In other words, the least Arab of countries, as well as the weakest militarily, was to bear the brunt of full Israeli retaliation and to accept a parallel and competing system of authority. Sincere or not, the Palestinian slogan of nonintervention in the internal affairs of Arab countries was harder to practice than to preach. With Israel more than willing and able to retaliate for raids into her territory, the Lebanese formula would unravel. The gift of an enlarged Lebanon bequeathed by the French turned into a nightmare, and the Maronite militias took up arms, first to defeat the leftist Palestinian/Muslim alliance and then, a little later, to try to carve out their own state, bidding farewell to the pleasantries of "Arab brotherhood." They were now willing to state what had been their conviction for quite some time: that they think of themselves as a different breed; that they are apart from the Arab world, not geographically but culturally of a different world. The Syrian army may win a confrontation or two, but what must be honestly and candidly dealt with is a bid for partition and creation of a sovereign Maronite state. If anything, Syrian assaults steel the will of the militias and silence those in the Christian community who still believe that things could be managed with a slightly reformed version of the old status quo.

IV

In an otherwise across-the-board break with the universalism of pan-Arabism, it was only the young group of officers who came to power in Libya in September 1969 who would raise the old banner in the decade that followed the 1967 defeat. Qaddafi and his fellow officers were more royalist than the king, more true to Abdul Nasser than Nasser himself, nostalgic for the young Nasser and bent upon reenacting his drama with all its noisy color and vitality. Libya, insulated from the Arab world, was thus to go through the same stage that Nasserites and Baathists had gone through in the preceding decade. The principal difference between Qaddafi's group and yesterday's unionists was that the former combined,

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

perhaps for the first time, two forces that had generally been at odds in recent Arab history: oil and pan-Arabism. From Egypt and Syria the unionist movement had been a claim by poor states for the "collective" wealth of the Arab world. The Libyan case was to provide just the opposite: an affluent society wanting to unite with its poorer neighbors.

Determined to realize the old dream, Qaddafi would seek unity with as odd a candidate as Bourguiba's Tunisia, but Egypt was the real focus of his aspirations. For four years he would urge unity upon both Nasser and Sadat, although one suspects that the offers were made in a different spirit to each: he would "offer" Libya to Nasser, while he wanted to "steal" Egypt from Sadat.

In both the Tunisian and latter-day Egyptian cases, Qaddafi was urging unity on two older men for whom he had little if any regard, whom he thought he could eventually push aside. To a Muslim Arab soldier like Qaddafi, Bourguiba can only seem like a compromised Francophile, symbol of a by-gone age in which Arabs accepted the supremacy of the West and aped its ways. As for the pre-October 1973 Sadat, Qaddafi could hardly be blamed for the low opinion he held of him—after all, that was a more or less universal judgment. During that transitional and difficult period when Sadat lacked his own source of legitimacy, many of Nasser's followers in and outside of Egypt came to think of Qaddafi—"*al walad al majnun*," Sadat called him, "the crazy boy"—as the spiritual son and true heir of Nasser. As it turned out, the source of Qaddafi's appeal lay more in Sadat's seeming ineptitude than in anything that Qaddafi himself had done. Thus, when Sadat finally made good on his promise to break the military stalemate, the Qaddafi appeal came to an end. The October War might not have been the glorious achievement that Sadat made it out to be, but it was an achievement nonetheless. Egypt was once again a country with a leader, and Qaddafi's bid for unity could be pushed aside. Reenacting the past had had its day.

Neither the fire and passion of the Libyan revolution nor its money could turn history around and revive an exhausted idea. Since their seizure of power in 1969, Qaddafi and his fellow officers have gradually come to see the differences among Arabs that had previously eluded them. The contrived boundaries had a reality after all. (They ought to know that, for their own rather strict immigration policies contradict all their talk of pan-Arabism.) Here and there a few writers and publicists—not to mention some troublemakers—prospered on Libyan money repeating Qaddafi's slogans about his Third Theory, or carrying out his wishes in Beirut and Cairo. But this was not to be Qaddafi's era, for he was

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

already an anachronism. With its wealth and small population and its relative isolation from the traumas and wounds of Arab history, Libya may go on a little longer with more sound and fury about pan-Arabism, but its experiment and ideas are irrelevant to the needs and situations of other Arab states.

A social scientist at Kuwait University has supplied us with important evidence substantiating the demise of pan-Arabism and suggesting the shape of things to come. Taking a sample of students from practically all Arab countries, he administered a questionnaire to nearly 500 undergraduates at Kuwait University with the aim of ascertaining their views on pan-Arabism, family, state and religion. What he found was a remarkable assertion of Islamic sentiment and of patriotism associated with particular Arab states—in other words, the vacuum left behind as a result of the demise of pan-Arabism is being filled by religious belief on one level and by loyalty to the state on another. His data led him to conclude that the discussions of "one Arab nation" and "Arab brotherhood" are myths and exhausted slogans.[6]

This shift in belief corresponds to concrete changes in the distribution of power in the Arab system. Power has shifted to the state (Saudi Arabia) that has long been a foe of pan-Arabism and has traditionally seen itself as a guardian of the *turath*, the heritage, or Islam, to be more precise. Muslim universalism is a safer doctrine than the geographically more limited but politically more troublesome idea of pan-Arabism; the "48 Muslim countries and 700 million Muslims" is a safe and distant symbol, giving a semblance of "super-legitimacy" without posing a threat to reason of state. Summit conferences like the one held in Lahore in 1974 and institutions like the Islamic Economic Conference appeal to those who wish to speak of the resurrection of Islam without shackling the power of the state. No one wants to unite Saudi Arabia and Bangladesh, Indonesia and the United Arab Emirates. The only challenge that Islamic sentiment might pose would come from far below the world of state elites, where a militant, popular kind of Islam may reject—as it does in Iran, and to a lesser extent in Egypt—the world view and preferences of state elites. But that, at least in the Arab context, is a different problem from the disruptive doctrine of pan-Arabism, for it is a challenge contained within the boundaries of the state.

[6] Tawfic Farah, "Group Affiliations of University Students in the Arab Middle East (Kuwait)," Reports and Research Studies, Department of Political Science, Kuwait University, 1977. I am deeply grateful to Professor Farah for sharing with me his findings and for a helpful discussion of the issues discussed here.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

V

The boundaries of Arab states have been around now for nearly six decades. It is not their existence which is novel, but their power and legitimacy—the power (as much as that power exists in the modern state system) to keep pan-Arab claims at bay and effectively to claim the loyalty of those within. They are no longer as "illusory and permeable" as they used to be. The states that lie within them are less "shy" about asserting their rights, more normal in the claims that they make.

The Arabs who had once seemed whole—both to themselves and to others—suddenly look as diverse as they had been all along. The differences, smothered over by ideology and by a universalistic designation, can in no way be ignored or suppressed. Indeed, the more they are blanketed over by a thin veneer of superficial universalism, the more dangerous they become, if only because they create resentment on the part of those who do not feel the designation and who judge that Arabism places them at a disadvantage—that is, it used to ask some of them to fight and die while others did not, or to use their territory as sanctuary for guerrilla raids while others were safely insulated by ceasefire lines and U.N. troops, or to pay for the economic inefficiency and large populations of sister states.

The Arab system of states will have to search for a new equilibrium, for a more limited and perhaps more workable system, because concrete and irreversible changes have already taken place to make interstate boundaries harder and more legitimate. Six factors that enabled pan-Arabism to slight boundaries and to play havoc with sovereignty are either things of the past, or are undergoing fundamental metamorphosis:

1. The universalism of pan-Arabism derived to a considerable extent from the universalism of the Ottoman Empire of which the Arab states had been a part for four centuries. In other words, scholars, officials and officers slipped from one universalist system into another. It was an understandable response to the nationalism of the Young Turks: if the Turks were a nation, so too were the Arabs. But whatever unity was lent to the Arab society by the universalism of the Ottoman system now belongs to the past. The Ottoman experience has been committed to history, and six decades after its collapse it is becoming a fading memory.

2. Arab nationalism rested on the power and popularity of the pamphlet and the book; it was conceived and spread by intellectuals, mostly those in exile. From Europe, where publicists like Neguib Azoury Shakib Arslan, and later Michel Aflaq of the Baath

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Party conceived their ideas, the distinctions among Arabs seemed negligible, almost nonexistent. It was theory written from afar by theorists concerned with and consumed by large-scale distinctions between rival and whole civilizations.

Now the power of intellectuals is waning, with a definite backlash in the Arab world against the written word and intellectuals. The beneficiaries are either men of affairs schooled in the hard knocks of politics—a Hafez Assad rather than Michel Aflaq—or development-oriented elites. In contrast to the literary intellectuals who dominated the early stage of Arab nationalism, the new elite is a more sober, less grandiose group—less likely to emphasize the abstractions of Arab unity, more sensitive to the realities on the ground or more committed to specific tasks. A nationalism that fails to create a political order cannot withstand the dissolution of its creed, and the intellectuals were temperamentally unfit to create such a concrete order. It is one thing to polemicize about the "one nation" and its metaphysical base, but quite another to erect it on the ground.

3. The anticolonialism of the mandate years lent a great deal of unity to the Arab system, as an entire generation was traumatized by what they saw as the Arabs' betrayal by the West. The Balfour Declaration and the Sykes/Picot agreement made their imprint on a large number of Arab nationalists, wherever they were, and forged a strong bond of unity among officials, publicists and officers who thought in terms of the Arab and the West.

However, what we observed of the Ottoman Empire pretty much applies as well to the anti-Westernism of the mandate years. Britain and France, the two powers whose deeds and diplomacy haunted and traumatized a generation of nationalists, have been cut down to size; they made their last stand in the Suez affair and since then their diplomacy has, on the whole, been sympathetic to the Arab states. London is no longer a hostile capital where diplomatic schemes are hatched against the Arabs; in fact, it has become familiar and accessible, with whole sections that have been "Arabized." The British, once resented and admired masters, now covet Arab investments and worry about the penetration of their society by Arab capital. France has become synonymous with Charles de Gaulle: an admired symbol of nationalism and, from 1962 onward, a "friend" of the Arab states. Beyond this, there has been a subtle and steady "growing up," a realization by Arabs that they have no monopoly on trauma, so to speak, that they are not the only ones whose ambitions have been thwarted and to whom history has dealt a raw deal or two. Worldly success in the aftermath of October 1973 is to a great extent responsible for this shift.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

4. There was a mobile, trans-state elite that moved from one Arab state to another; they knew and understood one another and their horizons transcended the boundaries of a single state. They "believed implicitly in the existence of an Arab nation: in schools, in barracks, in the Ottoman parliament, in exile in Cairo, and in the Sharifian forces they had come to know each other and acquired the ease of discourse which possession of a common language and a common education gives."[7] Some of these men formed the nucleus of the group that rallied around the Hashemite Prince Faisal as he came out of the Arabian Peninsula to be crowned in Syria and later (having been driven out of Damascus by the French) to rule over Iraq.

That mobile structure of dynasts, officers, officials and scholars has by now been replaced by more "parochial" elites as the usual complex of bureaucratic interests has developed in each of the Arab states. The change may be best captured by comparing the leading Arab dynasty in the early and middle parts of this century to the leading dynasty today. The Hashemites thought of the Arab world as their domain. They ruled in the Peninsula and, with the help of the British, established monarchies in Damascus (Prince Faisal's short-lived Arab kingdom), Transjordan and Iraq. Of all that, a modest throne remains in Jordan where a skilled but hemmed-in monarch tries his best to survive and to reconcile conflicting claims and pressures. Today's leading royal house, the Saudi family, is committed to its own sovereignty in the blessed (materially and spiritually) piece of land it has. The victory of the more "local" Ibn Saud over the "pan-Arab" Shariff Hussein half a century ago may have been the first victory (albeit of a dynastic/tribal kind) for reasons of state over the more grandiose ambitions of pan-Arabism. Below the dynastic level, the same shift in favor of parochial elites is equally evident in the usual occupations that states generate. To be sure, technocrats, teachers and skilled workers migrate in large numbers from the populated Arab states to the richer oil states, but these are people who migrate for a living and are content to leave power to the host governments.

5. The Palestine defeat in 1948 was seen as an injury to the pride and integrity of the entire Arab world—not strictly as a Palestinian defeat, but as a pan-Arab one. The creation of Israel was a deeply wounding and traumatizing experience, a symbol of Arab weakness and backwardness, a reminder that whatever the Arabs were in the past, whatever their old glories and achievements, they were now in decline, at the mercy of others, no longer sovereign in their

[7] Albert Hourani, *Arabic Thought in the Liberal Age*, New York: Oxford University Press, 1962, p. 292.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

own region. Having vowed to undo the "shame" of the defeat, it became difficult for any state to take itself out of the conflict.

The unity forced onto the Arab world by the Arab-Israeli conflict has eroded—perhaps less dramatically than in other areas, but eroded nonetheless. Whatever the future shape of the conflict between the Arab states and Israel, the Sadat diplomacy has dragged the Arabs—with great numbers of them shouting, objecting, feeling violated and betrayed—into the modern game of states. The conflict is no longer about Israel's existence, but about its boundaries; and in inter-Arab affairs, the leading military state has for all appearances rejected the inter-Arab division of labor that assigned it the principal obligation for a pan-Arab cause.

6. Finally, from 1956 (after Suez) until Nasser's death in 1970, or until the 1967 defeat, the power of pan-Arabism derived from the power of charismatic leadership. Prior to the emergence of Nasser as a pan-Arab savior, the idea had been an elite endeavor of publicists, intellectuals and a few officers. Nasser would take the theories and the emotions to the masses, give pan-Arabism its moment in the sun, and then its tragic end in 1967.

The politics of charisma, however, have passed from the scene. T. E. Lawrence once expressed a stereotype about the Arabs that has managed to stick: "Arabs," he said, "could be swung on an idea as on a cord. . . . Without a creed they could be taken to the four corners of the world (but not to heaven) by being shown the riches of the earth and the pleasures of it, but if on the road, led in this fashion, they met the prophet of an idea, who had nowhere to lay his head and who depended for his food on charity and birds, then they would all leave their wealth for his inspiration."[8] Today the idea and the prophet are gone: the man who could in a speech excite youth in West Beirut, Amman and Baghdad against their governments is no longer there, and this has contributed to the normalization of the Arab state system.

The circumstances that produced the ebb of Nasserist charisma may be *sui generis*, but the end of Nasserism is a piece of a bigger puzzle. It is the end of that stage of Third World history represented by men like Nasser, Nehru, Sukarno, Nkrumah—dreamers who sought what one of them, Nkrumah, described as the "kingdom of politics." In that kingdom they sought answers to questions of identity and self-worth, dabbled in dreams and intangibles, but their politics were bound to come to an end, for the sort of nationalist fervor they embodied triumphs for a moment but cannot last forever.

[8] T. E. Lawrence, *Seven Pillars of Wisdom*, Harmondsworth (England) and Baltimore: Penguin, 1962, p. 41.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

The exhaustion of the nationalist fervor generally signals a coming to the fore of economic issues and demands, of problems that do not lend themselves to solo performances, to the magic touch of charisma. Less colorful leaders, whose links to the nationalist struggle are often tenuous, are the ones who have to satisfy the new needs. With defeat in 1967, charisma turned to ashes and the conservative oil states made their financial help contingent upon a new style and kind of politics. The romantic phase of nationalism is over, then, as it falls upon the second generation to accomplish the technical and often grim tasks of governance. Anwar el-Sadat's recent autobiography, *In Search of Identity*, is really the last of its kind.[9] The next time an Egyptian head of state writes an autobiography, I suspect that identity will not be the principal thread; he may have to name it "In Search of Productivity" or something similarly routine. Whoever he turns out to be, he may well be envious that one of his predecessors "philosophized" about revolution, while the other talked of identity.

VI

Whether the Arabs like it or not, what they are left with and what they increasingly must acknowledge is a profound fragmentation of the Arab existential and political crisis. We know the themes and memories that lent unity to their consciousness and history: one language, the classical golden age of Islam, the decline of the Muslim order, the universalism of the Ottoman Empire, the yearning for independence, the traumas of being initiated into an international system in which they were not full participants, the Palestine defeat, the Six Day War, and finally October 1973. Particular regimes and leaders aside, Arab states are stuck with one another, and the shared themes and concerns could conceivably provide a basis for a working regional order—or, if pushed too far, for disaster and continuous discord.

The shared themes and concerns must not obscure the fragmentation. There is no longer a collective Arab crisis and there is no use pretending that it exists. To illustrate, let me briefly sketch the separate and quite different dilemmas of several populations in the Arab world.

In Egypt, the serious life-and-death issue is economic, and the main struggle is for human worth and dignity in a crowded, economically pressed society. For a young educated Saudi, Kuwaiti or Libyan, the sky is the limit: huge projects to run, European

[9] Anwar el-Sadat, *In Search of Identity*, New York: Harper and Row, 1977.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

vacations, investments, offers from foreign businessmen and people with all kinds of schemes, dreams and gadgets.[10] For a young and equally skilled and educated Egyptian, the overwhelming reality he has to deal with is unemployment or a dead-end job in a sluggish bureaucracy and the impossible dream of making ends meet, the nightmare of finding and affording an apartment in Cairo, where rentals have gone sky-high thanks in part to the abundance of petrodollars. Is there a mystery to the frustration of the young Egyptian, his suspicion that he must go to Sinai and face Israeli arms while others talk of pan-Arabism in London and Paris? Is this not the reality that President Sadat so masterfully evoked when he spoke of "nightclub revolutionaries"? The wealthy Arab states have been somewhat helpful to Egypt, but Egypt's economic needs are staggering, and it is these needs and grievances that enabled the Egyptian President to do what he did on the foreign policy front.

Whether Sadat's diplomacy stands or falls, it will do so on its own merit, judged in terms of what it will or will not do for Egypt; charges of treason, or tribunals against Sadat by Iraq or Libya will be to no avail. But foreign policy can be a ruler's escape, and victories and virtuoso performances are easier to pull off in distant places than at home. The noted Egyptian analyst Lewis Awad has recently argued that much of what Nasser did in foreign policy was sheer escapism.[11] The same temptation may again present itself, this time by irrelevant talk about threats in the Horn of Africa, challenging the Soviet Union, and the like. For Egypt, the real threat is at home: a huge population that must be fed and educated; a decaying capital; an overcrowded society that must seek an economic role in the surrounding region, and must therefore avoid too sharp a break with its neighbors.

The Fertile Crescent offers a striking contrast to the Egyptian case. There, the crisis is political; it is a crisis of political legitimacy, of taming political passions, of finding a framework that satisfies the aspirations for self-determination. Lebanon and the Palestinian question are the two outstanding political problems and, barring some unforeseen solutions to both, that area is destined to suffer more of the bloodshed and violence that have become its lot.

Without a territorial base of their own, the Palestinians would still have it within their power to disrupt the Arab system of states. This power derives not only from their presence in Lebanon and

[10] Malcolm Kerr, "The Dilemmas of the Rich," Near Eastern Studies Center, University of California at Los Angeles, 1977.

[11] Lewis Awad, *The Seven Masks of Nasserism*, Beirut: Dar al Qadaya, 1977 (in Arabic).

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Jordan, and their influence in Kuwait, but also from their appeal to an overwhelming body of opinion throughout the Arab world that wants what it thinks an appropriate resolution to the Palestinian question: self-determination for the Palestinians. Both historical-emotional factors and the cold logic of reason of state overlap here, for it is believed that the best way of taming Palestinian radicalism is to contain the Palestinians within their own state, either autonomous or linked to Jordan, and that only then will the Arab system of states be effectively normalized.

The Palestinians, too, have come to see it this way. Whereas it was once heresy to speak of an independent Palestinian state—after all, Palestine was supposed to be part of a larger Arab entity—the Palestinians have come to realize that they too require the normalcy of statehood. Their view has come to converge with the recognition of most Arab states that their own reason of state vis-à-vis Palestinian claims is best served by the Palestinians acquiring their own territory with all the responsibilities such a process usually entails. This explains President Sadat's insistence during the Camp David negotiations on a linkage between an Egyptian settlement and a framework for the West Bank and Gaza Strip, and explains as well Saudi Arabia's cautious response to the summit.

All of the crucial or affected Arab states see in the resolution of the Palestinian question an enhancement of their own sovereignty: the Lebanese could then begin to put together a shattered country whose economic role is perhaps irretrievably lost; the Saudis and the Kuwaitis would feel more secure about their own wealth, less susceptible to disruption; the Egyptians—and even the Syrians—would be freed from a military confrontation that they could neither win nor disengage from without damage to their interests and legitimacy. The Jordanian position is admittedly the most thorny and troublesome, for it is clear that there are, in inter-Arab politics, two claims to the West Bank: Jordanian and Palestinian. King Hussein's claim rests on Jordan's sovereignty prior to 1967; the Palestinian claim is the more standard nationalist claim of a people to their territory, and it is that claim which the Arab states honored during the Rabat summit of 1974.

Since then, there has been an undeniable erosion in the power of the Rabat resolution that declared the Palestine Liberation Organization "the sole, legitimate representative of the Palestinian people." President Sadat's call upon the Jordanian monarch to "shoulder his responsibility" indicated where the Egyptian President stood. King Hussein's reluctance to get off the fence displays

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

the caution of a man deeply pessimistic about the intentions of the state that currently holds the West Bank. And, in the absence of some firm signs that Israel is eventually willing to relinquish the West Bank, King Hussein is likely to continue to do what he has been doing for the last decade, namely, staying within the limits of an overall Arab consensus, and urging restraint and caution on the part of other Arab actors. But should signs of an Israeli change of heart materialize, the inter-Arab struggle for the West Bank, now somewhat subdued and repressed, would come to the fore. Hard choices would then have to be made by the Jordanian monarch, by the Palestinians themselves, by the Syrians, who claim both sides of the fight as their friends, and by the Saudis, who help to subsidize and sustain both the PLO and Jordan.

In the oil states, there are the problems of managing great wealth and then of setting that wealth and what it builds next to the violence and instability of the Fertile Crescent and the poverty of Egypt. Saudi Arabia, the leading oil state, understands what John C. Campbell calls the "political fragility" that lies beneath its prosperity.[12] Having helped exorcise the area of Nasserism, the Saudis were willing to deploy the oil weapon in the October War, to subsidize the two Arab combatants and, when the war was over, to try to keep them together. Their distinct preference is for a "moderate" Arab system of states based on a reasonable measure of consensus. The preferred Saudi design is what I have described elsewhere with no claim to originality as a "trilateral" design, a triangular system of power bringing together Saudi Arabia, Egypt and Syria.[13] The Saudi predilection for this arrangement explains most of Saudi Arabia's inter-Arab politics as of late: try to bring Sadat back into the Arab fold without squeezing him too hard; bail out Hafez Assad, subsidize his incursion into Lebanon, and make sure that he does not tilt toward the rejectionists.

Above and beyond particular foreign policy decisions, the oil states will continue to experience the difficulties of living in a militarized, impoverished part of the world, as well as the dreams and possibilities spawned by great wealth. They can help their neighbors and try to buy a reasonable measure of stability, but they cannot remake or keep the entire region afloat, tame all its passions, deal with all its grievances. They can influence other Arab states but cannot dictate their policies because they have difficulty "converting" the medium of power they have—money—into other assets. This was most poignantly demonstrated by

[12] John C. Campbell, "Oil Power in the Middle East," *Foreign Affairs*, October 1977, pp. 89–110.
[13] Fouad Ajami, "Stress in the Arab Triangle," *Foreign Policy*, Winter 1977–78, pp. 90–108.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

President Sadat's margin for maneuverability in his dealings with Saudi Arabia. "Petro-power" has more sway in Arab life than it did a decade or two ago, but it is a vulnerable kind of power; with the logic of numbers and demography so heavily stacked against it, it needs allies, protection and a great deal of subtlety and caution.

For quite some time—if only because of pan-Arabism's noise and refusal to play by the rules of the game of states—a view prevailed in the West and among some of the Arabs that, if pan-Arabism were to subside, all would be well. States would be left to undertake what states undertake within their boundaries; the conflict with Israel would be resolved, or at least transformed and made more like other conflicts, less lethal, less resistant to resolution. There is a great deal of merit to that view, but the politics of states can also kill, can dislocate, destabilize and erupt into turmoil and violence. With economic development approximating a new *raison d'état*, states can lose their legitimacy because they fail to deliver the goods—not intangibles such as identity, but tangibles such as jobs, education and food.

In a world of states we cannot be sanguine about saying that a state system has been normalized. The state next door may move in, not in the name of something lofty and metaphysical like pan-Arabism, but, again, for something more tangible—to preempt the dangers of an unstable state next door (Syria and Lebanon), or to avert the troubles of an erratic leader and to annex a wealthy neighbor at the same time (Egypt and Libya). Counter-elites and young officers may rebel, not in the name of pan-Arabism, but because they have a better cure for the ailment of the state. And in a situation of that kind, "betrayal" of obligations to other states could be a convenient justification for a political game that remains dangerous and deadly.

There are plenty of things to work out and fight over in the Arab system of states: the "responsibility" of the rich states; the "rights" of the poor states; the usual struggle for primacy and advantage among the resourceful and skilled states; the quest for self-determination on the part of the Palestinians; the restoration of civil order and legitimacy in Lebanon; the struggle of the most economically pressed, yet preeminent Arab state for economic solvency and viability. The passing of pan-Arabism means just that: the end of one set of troubles. Normalization of the Arab system, on the whole positive and overdue, brings in its train its own troubles, inflicts its own wounds, commits its own errors.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Victor Gilinsky

PLUTONIUM, PROLIFERATION AND THE PRICE OF REPROCESSING

Europe and the United States have parted company on the question of reprocessing spent fuel from nuclear power reactors, particularly as it applies to the separation and export of plutonium. The decisions to proceed with the construction of new plants at Windscale in Britain and La Hague in France, designed in large part to provide this service for non-nuclear-weapon countries, run counter to the U.S. conviction that restricting separation and trade in plutonium is essential, at least until more effective controls can be devised.

History, unlike physics, does not allow for controlled experiments, so we may never know how things would have turned out had the British and French acceded to the American plea that a commitment to large-scale reprocessing be deferred. I do not propose here to rehash the arguments over whether these European decisions should have been taken. What I would like to do is to explore their implications for our common effort at control over the proliferation of nuclear weapons.

There is no disagreement among the United States, Britain and France that reprocessing plants in non-nuclear-weapon states should be discouraged. The British Foreign Secretary, Dr. David Owen, told Parliament during the Windscale debate that Britain had "never made such a sale, nor do we intend to do so." The recently reported mutual reexamination of a transaction involving the sale of reprocessing facilities by France to Pakistan is welcome news. There *is* disagreement among us, however, over whether provision of plutonium services for export helps the effort to contain proliferation.

The situation is not without its ironies: much of the spent fuel the United States hopes will not be reprocessed prematurely is in

---

Victor Gilinsky has been a member of the U.S. Nuclear Regulatory Commission since its creation in 1975, having worked previously on international nuclear matters at the Atomic Energy Commission and the Rand Corporation. He is a contributor to the forthcoming *Nuclear Policies: Fuel Without the Bomb*. This article is adapted from remarks presented at the Atomic Industrial Forum/ British Nuclear Forum International Conference on the Nuclear Fuel Cycle, held in London in September 1978.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

fact under its putative control. It is derived primarily from fuel supplied under agreements that require American approval for its reprocessing and for the subsequent return of plutonium to its owners. The granting of such approvals is subject to strict criteria under the U.S. Nuclear Non-Proliferation Act of 1978. The law treats the European member countries of EURATOM as a single entity, and provides certain exemptions where U.S.-supplied fuel moves inside that community. Reprocessing carried out for non-EURATOM countries, however, is subject to an American veto.

During the period following the announcements by Presidents Ford and Carter, in October 1976 and April 1977 respectively, of new U.S. policy on plutonium separation—and in some cases after the passage of the new U.S. nonproliferation law early in 1978—the Europeans entered into a number of export reprocessing contracts. The United States, as part of its effort to persuade others to join in a deferral of reprocessing, had invited broad international participation in a two-year study of technical alternatives to plutonium. In addition to this effort to take some of the sting out of the tough new U.S. policies, the major industrial countries—the U.K., France, West Germany and Japan—were assured that ongoing nuclear commercial activities were not expected to be "turned off" during this period. Unfortunately, the European reprocessors, determined to proceed with their new plants, either failed to perceive the implication of American decisions for their own export plans, or concluded they did not present serious obstacles.

The result was to put the United States in a box: strict consistency with its stated policy against premature reprocessing meant withholding assent to the transfer of spent fuel (arising from U.S.-supplied fuel and reactors) to the European plants, thereby pulling the rug from under close allies and friends. But total acquiescence in the fulfillment of the contracts implied acceptance of defeat in the effort to control reprocessing and the widespread use of plutonium before adequate protection is in place. In the circumstances, a middle course was chosen: permission to transfer spent fuel to the European plants will be granted in certain cases, but strict conditions will be imposed on the eventual return of plutonium to its owners. The implementation of U.S. nonproliferation policy thus becomes an extremely delicate balancing act. How many exceptions will need to be made? And how strict will be the conditions on plutonium return? The most interesting question in nuclear energy policy today is how the United States will thread its way through this minefield.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

II

In addition to the critical issues of policy and national relationships involved, it is clear that heavy financial investments ride on the outcome. Over the next decade Windscale is scheduled to receive about 2,000 metric tonnes of spent fuel from Japan; a like amount is expected to come in from Europe. La Hague is reported to have contracts with Japan, the Federal Republic of Germany, Sweden, Switzerland, Belgium, Holland and Austria to process about 6,000 tonnes of spent fuel. In security terms, this adds up to the separation of perhaps 50 tonnes of plutonium, or—to use an admittedly crude measure—enough for about 10,000 nuclear weapons. In commercial terms, when transport charges are included, the European contracts are said to represent almost three billion dollars in business.

The political might of these investments is bound to influence the issue of control. For, despite international safeguards, the Nuclear Nonproliferation Treaty (NPT), and various international cooperative arrangements, the history of the past 25 years suggests that in reality commercial considerations have tended to dominate, complicate and undermine security concerns.

"The problem with disinterring a little history," Tawney once observed, "is that one runs the risk of appearing to sermonize." Nevertheless, we are bound to acknowledge that U.S. policies were largely responsible for the very situation over which we are now wringing our hands and importuning our fellow nuclear suppliers.

The idea of nuclear power for the generation of electricity had its genesis in prewar France and came to Britain early in World War II by way of two refugee French scientists. When the exigencies of the war moved the nuclear weapons project to North America, the power reactor idea and its commercial possibilities went with it. But at the end of the war, when the British moved to take up the options on technical cooperation provided in wartime agreements with the United States, they ran head on into the Atomic Energy Act of 1946, which effectively sealed off any outward flow of information. There was understandable bitterness in the United Kingdom, which saw this as an attempt to interfere with Britain's atomic energy development. The French, deprived of credit for their wartime contribution, were even more incensed.

Commercial rivalry still haunts us today and complicates efforts to solve the problem of international security posed by the utilization of nuclear energy. It has been there from the beginning and it is not going to go away. What we need to do is to set limits on it.

The first best effort at international controls, the Acheson-

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Lilienthal Report in 1946, took into account the fact that no control scheme which precluded national commercial development of peaceful uses was likely to succeed. At the same time, it insisted on the need to reserve the dangerous aspects of nuclear energy to international ownership and control. Dangerous activities were defined as those for which an effective inspection system—one which provided sufficient warning time of diversion to frustrate illicit weapons manufacture—was not possible under any circumstances. "Separation plants which make the material for bombs" were placed on the dangerous list.

It was some years after the failure of the international control proposal based on that Report before the United States moved into high gear commercially with the Atoms for Peace program, announced by President Eisenhower in 1953. While there was an element of altruism in that program, it was by no means unadulterated. In 1955, for example, a special committee of scientists and industrialists appointed by the Congress reported that U.S. assistance in the European development of nuclear energy would not only pay long-term dividends in future U.S. programs, but would also open a potential multibillion-dollar market.

For more than 20 years, the United States pursued that market on the theory that the combination of bilateral and international inspections would provide adequate protection against diversion to military purposes. In assessing the dangers associated with possible misuse of nuclear materials, we were influenced by the mistaken assumption that nuclear weapons development would always require long and costly programs and that even separated plutonium could not easily or rapidly be turned into military explosives. That notion has now been pretty much put to rest, but we are still living with the decisions and institutions that were based on it.

In that more innocent time we pushed the idea of the plutonium-fueled breeder reactor enthusiastically, treated the future utilization of plutonium as inevitable, and regarded reprocessing as a legitimate and necessary commercial activity to be undertaken as the need arose. Unfortunately, the possibility that safeguards that worked for low-enriched nuclear fuel would not also work for plutonium, when that far-off day came, was not considered. The slow realization that international inspection of plutonium stockpiles could not provide sufficient protection turned U.S. policy around.

It was an important break with this history when President Ford, on October 28, 1976, announced that "avoidance of proliferation

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

must take precedence over economic interests" and that reprocessing should be deferred until "there is sound reason to conclude that the world community can effectively overcome the associated risks of proliferation."

Two elements contributed to this decision and to the subsequent development and extension of U.S. nonproliferation policy under President Carter. The primary consideration was that no way is now known to protect nationally held plutonium stocks (or stocks of highly enriched uranium for that matter) should their owners suddenly decide to abrogate agreements and appropriate explosive material for weapons. The second was that since reprocessing and recycling of plutonium in the present generation of light water power reactors is a dubious proposition economically, the early introduction of plutonium into international trade is as unnecessary as it is dangerous.

Both Presidents Ford and Carter believed that a resolution of the security problem had to precede, not follow, any move to large-scale reprocessing, a notion our allies and trading partners have resisted. It is hardly surprising that the sharp policy shift on plutonium caused widespread irritation, alarm and even the cynical suggestion that the Americans were less interested in proliferation than in perpetuating a commercial advantage.

There were other reasons why American efforts to defer reprocessing met with so little success. The United States has so far failed to establish the credibility of the once-through fuel cycle as the most sensible technological approach: the International Nuclear Fuel Cycle Evaluation (INFCE), which the United States believes should confirm the wisdom of reliance on the present generation of power reactors and their fuels into the next century, will not be completed for another year. Our earlier uranium enrichment contract policies, especially the sudden drastic curbs of 1974, left a residual uncertainty about the reliability of U.S. fuel supplies. We failed to provide adequate assistance, either in terms of technology or an offer of services, for the handling of spent fuel to relieve political pressure stemming from waste disposal problems. We misjudged the depth of the commitment to reprocessing in the nuclear bureaucracies of the big industrial nations; that commitment was very far gone by the time we moved to intercept it. And last but by no means least, the idea of plutonium as the ultimate fuel was so entrenched that it drained conviction from the effort to delay its utilization.

III

I leave it to historians to decide whether, in these circumstances,

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

the British and French commitment to the new plants at Windscale and La Hague was inevitable. What is significant and interesting for our purposes is that both Britain and France have emphasized the security advantages of their reprocessing plans, and have agreed that this is an essential criterion for evaluating the soundness of these plans. The British view, as it emerged in recent public discussion, is that pressures arising from worldwide accumulation of spent fuel, if not relieved by reprocessing, will inevitably drive non-nuclear-weapon states to develop indigenous reprocessing facilities, which everyone agrees pose serious dangers of proliferation. The best way to discourage this development, it was argued, is to confine reprocessing services to the states which already have the bomb. As David Owen put it: "I am second to none in wishing to try to restrict reprocessing, where it is possible, to those who are nuclear weapon states."

The difficulty with this approach turns on the conditions to be attached to the return of plutonium to its owners. The commercial and political pressures which led to reprocessing in the first place and which have made it so difficult for the United States to exercise its rights of control as the world's major supplier of enriched fuels will likely come into play again, forcing return whether or not adequate international protection has been developed. This pressure would become acute should the 40-odd nations participating in INFCE arrive at a "consensus" that return is somehow technically safe and manageable through some international arrangement.

Indeed, if plutonium is held in international storage but remains under national ownership, pressures for return may be even more difficult to resist. It is unlikely that controls devised by any group of countries in the plutonium trade will have any more bite than the present system of international safeguards. In either event the problems of setting criteria for return are the same, whether they are confronted on the national or international level.

The idea of international solutions has always been evoked by the hard questions. Where can plutonium be stored safely until needed? What rules are to govern the return of plutonium to its owners? Where will radioactive wastes be stored? Who will lay down the rules for transportation safety and enforce them? But whenever the subject comes up I cannot escape the impression that what is envisioned is not international *management,* but only international *caretaking.* Are the reprocessors really willing to submit themselves to a strict, comprehensive international regime of plutonium controls, with all that implies for the conduct of a competitive commerce?

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Yet can they commit themselves to anything less? The international community has a right to know what rules are going to govern this commerce. Country X has a right to know whether and in which circumstances and in what form its neighbor, Country Y, is getting potential nuclear-explosive materials. How long will standards hold if the reprocessors themselves pick and choose among the non-nuclear-weapon countries, many of which would be likely to claim the *right* to unconditional reprocessing services (or even conceivably the right to purchase plutonium from other owners) as a quid pro quo, perhaps, for foregoing indigenous reprocessing?

In opting to carry out this service, Europe is taking on this as well as other headaches. It has been proposed that plutonium will be ladled out carefully as necessary. But this implies fuel dependence, and if plutonium displaces uranium as the primary fuel for power reactors, the logic of the long-sought goal plutonium is supposed to fulfill in the minds of many nations—fuel "independence"—will not permit fuel dependence simply to shift from the United States to Europe. It will lead instead to indigenous reprocessing.

But this is crystal-gazing. There are more immediate questions. We are faced right now with a security problem to which everyone agrees a ten-year time frame—the construction lead time for the new reprocessing plants—is affixed. We have in place certain instrumentalities for control which took at least 25 years to build up: a frail system of international safeguards in the International Atomic Energy Agency (IAEA), the Nonproliferation Treaty pledges to refrain from nuclear weapons manufacture, not yet universal, and the rough ground rules agreed to among the nuclear suppliers at London over the past three years. For reasons I have tried to explain, none of these alone or in combination is likely to provide any more adequate insurance against widespread access to plutonium ten years hence than they do now.

This is why the controls over U.S.-supplied fuel provided in the new law are so important in American eyes. Non-EURATOM countries must not only obtain permission to transfer U.S.-supplied spent fuel to the reprocessors, but must secure an additional approval for the return to them of plutonium from the new plants at Windscale and La Hague. The latter transfer is governed by the strict standard adopted by Congress in the 1978 Act; it requires that "foremost consideration" be given to whether or not the transfer will take place "under conditions that will ensure timely warning to the United States of any diversion well in advance of

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

the time" diverted material could be transformed into weapons. This standard will be extremely difficult to meet. It is thus risky to infer that any U.S. approval for transfer of spent fuel to the reprocessor will also bring the plutonium home to the customer free and clear. In September 1978, the United States informed the countries concerned that it intended to retain a veto over transfer of plutonium. Yet there are indications that the reprocessors think the technicians engaged in the INFCE evaluation may bail them out of this problem and thereby "vindicate" plutonium.

The conditions under which return will be allowed of course involve the controls adopted by the reprocessors as well as U.S. criteria. So far, however, the reprocessors themselves have not made explicit their thinking about how rules for returning plutonium might be designed.

IV

The 1978 parliamentary and public debate over whether to proceed with reprocessing for export at Windscale revealed clearly that the British government is concerned about exporting bomb-ready materials. Much was made of the fact that plutonium will be returned to its owners only under international safeguards, which are admittedly not "perfect" but said to be improving all the time.

There is a certain amount of bravado in the perennial talk about "strengthening" international safeguards to protect plutonium; recent IAEA studies indicate we cannot even be sanguine about how they are working in the far less vexing task of safeguarding reactors. Confidence in safeguards over plutonium stocks would not appear to square with the British, French and American determination to discourage indigenous reprocessing. If protection against removal of plutonium from an indigenous stockpile can't be provided, it is difficult to see how providing the plutonium from a plant abroad will help matters.

There is an implied recognition of this in the attention being given in the United Kingdom to various possibilities for doing something to the plutonium before it is returned to its owners. Dr. Owen has pledged the material will be returned "only in a form that will reduce the risks" of proliferation. In his Report on the official British Windscale Inquiry, the Hon. Mr. Justice Parker took refuge in time: ". . . this matter can be alleviated to some extent by technical fixes," he wrote. "It will not in any event happen for ten years . . . ."

I must presume to disagree with the eminent judge. If suppliers and customers are unable to forge a consensus on some coherent

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

overall plan for control sooner than that, the plutonium emerging from the new plants ten years hence may get away from us all.

Of course technical fixes play a role. There is no question that we should pursue every conceivable scheme for making the fuel cycle more resistant to misuse; one of the objectives of the international effort now underway in INFCE is to rethink the technical options. But leaning on technical fixes which are illusory or impractical can sidetrack and even undermine the development of sound institutional approaches to controls.

One such technical fix, the so-called CIVEX process, has received a fair amount of international attention in recent months; it involves a return of plutonium to the customer in the form of fabricated fuel retaining radioactive products, to make chemical extraction of bomb material more difficult. The argument for this scheme is that spent fuel storage pools around the world constitute "plutonium mines." As such they are alleged to be a greater proliferation risk than plutonium separated in a nuclear weapon state and stored in central repositories until withdrawn on demand.

Unfortunately, there is no conceivable way this scheme can be implemented within the ten-year period Mr. Justice Parker has allowed us; it was in fact conceived for the future breeder reactor fuel cycle, not expected for decades. Moreover, the isotopes that the CIVEX process permits to remain in the fabricated fuel stay radioactive enough to provide protection for a few years at most—measured from the time they emerge from the reactor in the original spent fuel. Since a longer period than this would almost certainly be consumed in the delays inherent in reprocessing in this century (given existing backlogs), the CIVEX process cannot contribute to the solution of the problems we must worry about now.

Technical fixes involving the use of irradiated fuels (and several which have been suggested do) present special problems. It will be difficult to persuade the nuclear industry to use such fuels, with their inevitable increase in occupational and public health exposures. In addition, the idea that the reprocessors will fabricate fuel for all their customers flies in the face of commercial reality. The owners of the material are not likely to accept the dictates of the reprocessor as to the form in which plutonium is to be returned to them, particularly when it is hazardous.

It is unfortunate that CIVEX was not at first generally understood to be unsuitable for application to the stocks of spent fuel from the present generation of power reactors. The abortive flurry within the nuclear industry over this process underlines the importance of attacking the problem of plutonium return now,

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

and not ten years from now. What is to be done if no workable technical fix can be found, or if one is found but is unacceptable to the customer? The reprocessing country may find itself giving plutonium back pure, or dumping it on an international agency, if one exists, or being stuck with a lot of plutonium. It may also get stuck with the associated waste products. That brings me to my next point.

V

A recurrent rationale runs through the record of the Windscale Inquiry: that whether or not plutonium is to be used as fuel, reprocessing is an essential first step in waste disposal, and therefore the sooner we get on with it the better. It is interesting that the President's Interagency Review Group on Waste Management has since found that reprocessing is *not* required to assure disposal of commercial spent fuel. The rush to reprocessing shows a curious disregard for the price of money, which surely bears on the economics of future investment. On this point, one of the reprocessors has acknowledged that reprocessing probably does not make much economic sense so far as overall use of resources is concerned—but that the contract terms add up to "very good business."

There are, however, complications in undertaking disposal of reprocessing waste on a large commercial scale. We are confronted with an immediate question: Where is it all going to go? What if (as one of the contractors has actually told me) the whole of the waste from reprocessing will be returned to the customer—not only vitrified high-level waste, but solidified medium-level plant effluents, the remains of fuel rods, *all* of it?

If a country's motive for reprocessing spent fuel now derives from the pressure for storage, and if it is obliged to take back all the waste products, the likely increase in volume returned will not simplify the storage problem in the long term. If the motive lies in public pressures to get rid of accumulating spent fuel for environmental or public health reasons, subsequent return of the wastes will only aggravate the political problem. If the motive is to extract the plutonium and bank it for future use as fuel, where is the customer going to bank the wastes? Is it implicit in the current arrangements that each country buying reprocessing services is to have its own permanent waste site? The reprocessors cannot regard this as entirely the customers' problem.

I will resist contrasting the disposal of radioactive wastes after reprocessing with the relatively simple and proven procedures now

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

in use for holding spent fuel safely for long periods of time. But I might observe that since the projected reprocessing capacity probably cannot sop up the spent fuel expected to be generated yearly by the end of the next decade, it would be prudent to pursue the idea of regional spent fuel storage a little more vigorously.

These practical technical problems are bearing down on us very fast, and threaten to outstrip the search for ways to cope with a nuclear explosive in commercial use.

The Nonproliferation Treaty ruled out the acquisition of nuclear explosive devices, however labeled, by non-nuclear-weapon states because explosives for ostensibly "peaceful" purposes cannot be distinguished from explosives for more ominous uses, and the Treaty provides for explosives services only under strict international physical control. While it does not define a nuclear explosive device, it would be impossible to sustain the argument that the same rules do not apply to something very close to a ready explosive device—say, a disassembled bomb. That being so, what about the nuclear explosive itself? Is it to be covered by the rules for explosives, or is its use to be unconstrained so long as it is labeled "peaceful"? The only answer consistent with the Treaty's prohibition on nuclear explosive devices is that nuclear explosive material is not eligible for the "peaceful" label until it can be proved capable of being safeguarded against national appropriation of plutonium stocks.

We have to accept the fact that we cannot put the plutonium we plan to separate into the stream of commerce until a fail-safe mechanism can be devised. The rules have to be strict, uniform and universal. There cannot be one set of rules for those inside the club and another for those outside. For one thing there are too many clubs: the nuclear weapons states; the nuclear supplier states; the potential supplier states; and the states newly arrived at political power, and riches.

VI

In presenting the Windscale question to the House of Commons, the British Foreign Secretary suggested the basic dilemma to be that of reconciling the need to utilize the energy in plutonium with the danger of proliferation. If plutonium is equated with the survival of nuclear power, then the dilemma has been correctly stated. But the idea that without plutonium nuclear energy is at a dead end ought to be greeted with increasing skepticism in the face of the abandonment as uneconomic of plutonium recycled as

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

fuel in current reactors, more optimistic assessments of uranium supply, and greater efficiency in the preparation and use of enriched fuels. We don't have to choose now between plutonium and nuclear energy.

If there is a dilemma, it arises out of the choice between plutonium and proliferation. Whether we will have to make that choice in the future depends on how much commercial freedom we are willing to trade for international security. What I have tried to point out here is that nuclear explosive materials cannot be handled within the normal rules of commerce—their control is beyond the present capacities of our international institutions—and that time is running out.

Time is running out in INFCE as well; unless its deadline is extended, final report drafting will begin within the next six months. An emerging political "consensus," based on expected technical results, is already being talked about. It encompasses an acceptance of commercial reprocessing, at least in a select group of countries, and international involvement in plutonium storage and possibly the development of ground rules for its utilization.

The imminent INFCE conclusions may thus present the United States with difficult choices between compromise of its nonproliferation goals and severe political discomfort. During the "period of INFCE," for example, U.S. permissions for reprocessing at Windscale and La Hague are being granted only on a case-by-case basis and held as closely as possible to the applicant's "need" and "strong political commitment" to common nonproliferation objectives. Were INFCE to find for large-scale reprocessing, however, massive U.S. approvals to feed the European reprocessing plants would obviously be expected. Such approvals will in turn trigger pressures to ease restrictions on return of the plutonium to its owners. But here the U.S. Non-Proliferation Act has very little give: it requires that, in considering permission for return, "foremost consideration" be given to whether the "timely warning" safeguards standard is met.

The pressure is building toward some degree of U.S. acceptance of an INFCE "consensus" which will end the current uncertainty over the future of reprocessing. Here it needs to be kept in mind that while INFCE is a useful technical exercise, it is unequipped to deal with the political-military questions integral to the problem of nuclear proliferation and international security. In the end, it is important to remember that any consensus that obliterates or even blurs the distinction between safe and dangerous commercial nuclear activities will cripple U.S. nonproliferation

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

efforts. That distinction is absolutely central to U.S. nuclear energy policy and the new law.

In a press conference following the announcement of his nuclear energy policy on April 7, 1977, President Carter expressed his desire to develop a relationship with other countries "to remove the competitive aspect of reprocessing itself. There is obviously going to be continued competition," he said, "in the selling of atomic power plants themselves." Nevertheless, the President felt there had to be a "clearly drawn distinction" between what he called "the legitimate and necessary use of uranium and other enriched fuels to produce electricity" and the use of fuels that are also nuclear explosives. He is right.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Albert Fishlow

FLYING DOWN TO RIO: PERSPECTIVES ON U.S.-BRAZIL RELATIONS

Soon it will be a year since Jimmy Carter's April 1978 trip to Brazil. Prior to the visit strained relations between the two countries were ill concealed. Washington's efforts to roll back the Brazilian-West German agreement for construction of facilities for uranium reprocessing and enrichment in Brazil were deeply resented—not least because Vice President Mondale was dispatched first to Bonn. The human rights stance of the new Administration was a second provocation. Brazil rejected any further military assistance in the spring of 1977, since such aid—for all countries—had as a condition a congressional requirement of a report on human rights; later Brazil canceled long-standing bilateral military pacts between the two countries.

Only a week before the trip Carter's Brazilian hosts emphasized that the stop was an American and not a Brazilian initiative. But after it was over, their satisfaction was evident. Jimmy Carter had come, seen, and compromised. Neither of the salient differences had been advanced provocatively; indeed, the nuclear accord was implicitly recognized as a fait accompli, and the publicized Carter meeting with private leaders actively engaged in the process of political opening avoided even the hint of intervention. Sighs of relief in official Brazilian circles as Carter embarked for Africa signaled an end to the long winter of discontent ushered in with the inauguration of the new Administration in Washington.

Such reduced tensions were equally welcome aboard Air Force One. For all of candidate Carter's criticism of the 1976 memorandum of understanding commemorating a special U.S.-Brazil relationship, misunderstanding was not his preferred substitute. Brazil simply looms too large for U.S. foreign policy objectives — be they pursuit of world order, of better hemispheric relations, or of narrow private economic opportunity.

The last is perhaps the most obvious. Brazil, with a gross

Albert Fishlow is Professor of Economics and Director of the Concilium on International and Area Studies, Yale University. He served as Deputy Assistant Secretary of State for Inter-American Affairs in 1975–76, and was a member of the Linowitz Commission on U.S.-Latin American Relations.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

domestic product of about $165 billion, already ranks as the eighth largest market economy, and first among the developing countries. Its current status is not the product of sudden petroleum wealth but the consequence of a continuing process of economic expansion. Especially rapid growth in the last decade, derived from increased integration into the world economy, has afforded attractive opportunities. Despite diversification, Brazil retains the United States as its principal trading partner, largest source of foreign investment, and key banking connection; reciprocally, the growing Brazilian market is of palpable, if still asymmetrical, importance for the United States.

Brazil's significance for hemisphere policy is more subtle. It is not one of Latin American leadership. Size and traditional rivalries with Spanish-speaking neighbors necessarily mean a more modest role. Brazil's greatest relevance, in addition to a deepening presence in the immediate border states of Uruguay, Paraguay and Bolivia, may be one of example. The economic growth of the Brazilian model installed by the military after 1964 has evoked emulation in Argentina and Chile, and challenged other regimes, military and civilian. Apart from exaggeration, President Nixon was only half right when he opined in 1971: "As Brazil goes, so will go the rest of the Latin American continent." What was left out was the reaction of the United States. On a number of occasions, it has been Washington's response to Brazilian economic and political style that has defined and crystallized U.S. hemispheric policy as a whole—from the neglect of the 1950s to the acceptance and endorsement of political authoritarianism in the late 1960s. A Brazil policy and a hemisphere policy are now perhaps even more intimately related. As Brazil policy goes, so will that for many of the other predominantly middle-income countries of Latin America.

As in the hemisphere, Brazil, with brief exceptions, has eschewed leadership in the Third World—while still conducting active diplomacy on global issues, both economic and political. Brazil has been for some time and for obvious reasons an eloquent proponent of policies that afford maximum scope for national mobility—whether the issue be nuclear proliferation, the law of the sea, pollution, or multilateral trade negotiations. Brazil's advocacy has been reinforced by the transfer of wealth resulting from the oil price increase: now an ever larger group of states wants a voice commensurate with their perception of rising power.

A Brazil policy is thus also closely linked to a more general policy for the emergent states: Iran, Venezuela, Mexico, Nigeria and

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

others. But Brazil offers special opportunities. As the largest importer of petroleum within the developing world, some of its interests approximate more directly those of the industrialized countries. Independent, not always predictable—as, for example, in a vigorous African policy that included immediate recognition of the MPLA in Angola—Brazil has a potential diplomatic influence beyond even its economic weight.

No wonder, then, that Brazil ranks high on any list of "influentials," to use the label of National Security Adviser Zbigniew Brzezinski, and that Brazil policy counts. The interesting questions, rather, are why the seemingly close U.S.-Brazil relationship went astray, and what the prospects for its reconstruction are. The quiescence of recent months as Brazil has turned inward to its internal economic and political problems, and as the U.S. focus has shifted elsewhere, provides an opportune moment for reflection. An answer begins not with 1977 but with 1945, and encompasses not only the politics of nuclear proliferation and human rights, but also the economics of national development.

II

The dominant themes of the U.S. relationship with Brazil until Kennedy's Alliance for Progress—as with the rest of Latin America—were a cold war perspective and an insistent belief in the virtues of the private market system. Both appealed to the sentiments of a military whose association with the United States during and since the Second World War had been continuing and positive. The Joint Brazil-United States Military Commission carried over and was given permanent status in 1954; a counterpart was also established in Washington, institutionalizing a collaboration on security issues not found elsewhere in Latin America. Excess U.S. military equipment was transferred after the war at nominal cost, and the flow continued outright under the subsequent Mutual Defense Assistance program. A U.S. military advisory mission contributed to the establishment of the Brazilian Superior War College in 1949 and stayed on until 1960.

For those officers favorably disposed to the United States—and they emerged the clear majority in 1950-52 intramilitary political struggles—the cold war represented a common cause. The leadership of the United States was a matter of both faith and geopolitical logic. Added to these strategic considerations was a rejection of emotional nationalism as a reliable basis for economic development. The Brazilian military was hostile to neither foreign investment nor private enterprise. On the contrary, both were

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

viewed as essential to the economic growth required to enable Brazil to take its rightful place in the hierarchy of nations. As General Golbery do Couto e Silva—presently the principal adviser to President Ernesto Geisel—has explained, "The Brazilian Expeditionary Force members went to the United States . . . . I went and it made a great impact; for me it was absolutely apparent that a free enterprise country had been successful in creating a great industrial power."

Military influence was not confined to the barracks. The Brazilian military had played a conscious and conspicuous political role well before assuming full governmental authority in 1964. During the 1950s and early 1960s, they established the shifting bounds of civilian authority to change Brazilian society. Uneasily, large segments of the military accepted a progressively larger state role in the economy and concomitant political appeals to a nationalism that opposed foreign investment. But they stopped short of tolerating overt anti-Americanism or discounting the Soviet threat. One of the factors contributing to President Getúlio Vargas' deposition in 1954 was his alleged behind-the-scenes negotiations with Perón in opposing U.S. interests. Later, President Jânio Quadros' award of the Order of Cruzeiro do Sul to Ché Guevara in 1961 would prove a source of contention. And, ultimately, the leaders of the 1964 coup identified President João Goulart's ineffectual populism with a threat of imminent communist subversion.

Views about the United States were less favorable within the successive civilian governments that held power between 1950 and 1964. Their efforts to stimulate economic development were given limited external support. The Joint Brazil-United States Economic Development Commission, established in 1950 by the Truman Administration, lapsed and was disbanded in 1953. Only $200 million of the projected $500 million in Export-Import and World Bank financing of infrastructure projects had been negotiated. Brazilians were irate; the United States said the Brazilians had not understood that the commitment was conditional, not firm. It helped very little that the Ex-Im Bank made a $300-million balance-of-payments loan to assist in consolidation of commercial areas. Disillusion with official U.S. economic assistance and the rhetorical opposition of private foreign business to the creation of a national petroleum monopoly fed a nascent Brazilian economic nationalism.

Rapid and successful industrialization averted a virulent case. Foreign investment, responsive to special privileges and a protected internal market, did not foreclose profitable opportunities

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

for national enterprise. But as the dislocating process of import-substitution industrialization gave rise to stagnating foreign exchange receipts, larger public deficits and inflation, political divisions widened. Conservatives found the source of the mounting economic difficulties in a disregard for orthodox monetary and fiscal policies; those more interventionist blamed the lack of demand of the industrialized center for the products of the periphery, and an inability to implement far-reaching internal reforms.

By the end of the 1950s these differences in domestic perceptions became an ingredient in the bilateral relationship. President Juscelino Kubitschek's 1958 initiative, "Operation Pan America," launched in the wake of Vice President Nixon's disastrous trip, was coolly received by the United States. Its essential elements of expanded U.S. official assistance and hemispheric commodity price stabilization smacked of endorsement of the reformist and interventionist views of the Economic Commission of Latin America and the profligate practices of Brazil itself.

More specifically, in the same year, the United States made a promised $300-million loan conditional upon stringent International Monetary Fund requirements for exchange liberalization and fiscal austerity. In turn, Kubitschek definitively broke off discussion with the Fund in 1959 and went without significant official financing. Nationalists welcomed this independence. Ironically, it was the continuing inflows of private foreign capital that made it possible. That did not make the U.S. government more popular. In his annual message to the Congress in 1960, Kubitschek lamented that Brazil had not obtained the "cooperation which we might expect, given our importance in the contemporary world. . . ."

For a brief time, the Cuban Revolution and the Alliance for Progress changed the atmosphere. Newly elected President Quadros' package of exchange liberalization and internal stabilization found favor in the eyes of the international financial community. It won material support from the United States, which in announcing its loan pointedly recognized the importance of Brazil within the hemisphere. Indeed, its importance was such that the United States tolerated a much more maverick Brazilian foreign policy than Quadros' predecessors had dared, as nonalignment replaced automatic pro-American sentiments. Quadros was not so fortunate domestically. His independent foreign policy contributed to his resignation after only eight months in office when a skeptical military refused to concede exceptional powers to him.

Vice President Goulart, a Vargas protégé already suspect to the

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

military, was elevated to the presidency only after protracted negotiations with the armed forces. Understanding the importance of American support, he traveled to Washington in early 1962 to reaffirm both Brazil's adherence to the West and its opposition to Cuba; independence was not to be confused with neutralism. Official assistance continued to flow.

But not for much longer. The economic crisis—spiraling inflation, balance-of-payments deficits, decelerating real growth—deepened. As it did, Goulart appealed to nationalist and populist sentiment. Foreign investment was a natural target. A stringent profit remittance law and expropriation of an American power company by the radical governor of Rio Grande do Sul (Leonel Brizola, Goulart's brother-in-law) threatened to convert rhetoric to action. It is to the unsettled Brazilian situation in 1962 that we owe the Hickenlooper Amendment—mandating an end to U.S. foreign aid in the event of uncompensated expropriation. As it turned out, the Federal government did agree to pay.

Washington conceded one last offer of economic assistance in April 1963, so conditioned that even Roberto Campos—then Ambassador to Washington—considered its rejection. In the event, short-term Brazilian economic policy proved as ineffectual as Goulart's longer range structural reforms. The United States gave up on the federal government and set out to support anti-Goulart forces; its "islands of sanity" policy directed economic assistance to opposition state governors. When the coup came in March 1964, the United States not only had foreknowledge of it but was prepared to offer supplies if needed. Recognition was warm and immediate when the government fell without a struggle. Fifty million dollars in AID contingency funds were made available, a harbinger of what was to follow.

The next three years under President Castelo Branco gave rise to an intense and special relationship for the first time since the war. From the U.S. side there came unstinting financial assistance; more than $900 million were committed, much in flexible program loans. There was also a reservoir of goodwill that rationalized the ever greater distance between the democratic ideal and Brazilian reality. Even as late as 1971, the AID Director in Brazil could credit the Fifth Institutional Act, which had established overt authoritarian rule, with affording useful and necessary executive discretion in economic matters.

In return, Brazilian foreign policy resumed its earlier staunch line in support of the United States. The new Foreign Minister, Vasco Leitão da Cunha, in 1964, defined its objectives clearly: "to

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

defend the security of the continent against aggression and subversion, whether external or internal; to strengthen all the ties with the United States, our great neighbor and friend of the North; to broaden our relations with Western Europe and the Western community of nations." This policy of concentricity attached enhanced importance to the hemisphere, and explicitly contradicted the internationalism of the earlier flirtations with nonalignment. More serious problems were closer at hand. Brazil actively supported the 1965 U.S. intervention in the Dominican Republic—to the extent of sending troops—and embraced the idea of an inter-American defense force to make sure that potential communist takeovers did not happen again.

The political reintegration of Brazil into the West was matched by a policy of economic reintegration. Foreign capital was welcome once again, as symbolized by repeal of Goulart's limitations on profits remittance and Brazilian adherence to the new OPIC investment guarantee program. Increased exports were central to the strategy. As late as 1964, Brazil still depended upon coffee for more than half of its export revenues, so that new sources of foreign exchange were essential for a more open and rational economy. A series of other domestic policies designed to activate the market mechanism and curb inflation were instituted. They included incentives for accumulating domestic capital, reformulation of labor legislation, increased prices for public services, wage restraint, and credit restriction. Policies conformed to orthodox prescriptions and were welcomed by an international financial community that accepted a restructured foreign debt and resumed lending.

Economic success in the 1964-67 period was not as rapid as promised. Foreign investment did not return with the alacrity anticipated; profitable opportunities, and not only ideological sympathy, counted. Inflation rates remained above 40 percent despite a repressive wage policy that saw a reduction in real minimum wages of more than 15 percent during the three years. Even exports proved sluggish in response to price signals alone and did not show signs of sustained acceleration. The upshot was larger public expenditures than had been anticipated in order to avert an even more serious economic recession, and greater centralization of political power in order to impose unpopular economic policies. These departures from the free enterprise democratic norm did not diminish U.S. support.

The closeness of U.S.-Brazil relations corresponded to an unusual congruence of political and economic interests and viewpoints

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

that had been evolving since the Second World War. For more than a decade the new Brazilian military leaders and their technocratic associates, open admirers of the United States and its economic system, had watched with increasing distaste the state of affairs in Brazil. They saw only the failures of civilian government and economic management, and not the implantation of an industrial infrastructure that would soon serve as the basis for the "economic miracle." Internal subversion would now be eradicated, and a market-oriented development process established—both in partnership with the United States. This new relationship was more attuned to the priorities of the 1950s than to the 1961 Charter of Punta del Este. In fact, the Brazil policy signaled the demise of the Alliance for Progress, and a reassertion of a concern with internal security—not only in Brazil, but throughout the hemisphere.

III

The "economic miracle" that followed, instead of ratifying this new alliance, progressively eroded it. Up to the oil crisis of 1973–74, two factors predominated. First, successful Brazilian integration into the world economy actually weakened official ties to the United States. Second, a changed Brazilian leadership found a continued junior role both unnecessary and undesirable.

Accelerated expansion of world trade and more aggressive Brazilian export promotion policies combined in the late 1960s and early 1970s to stimulate a rapid growth of Brazilian exports. The extent of the favorable external impulse came as something of a surprise; as late as 1969, the special annual economic review of the *Jornal do Brasil* pointed to the internal market as the only basis for a continuing expansion. A 27-percent annual average export growth between 1968 and 1973 brought in its wake diversification both in sales and purchases. A decline in the dominant position of the United States was almost inevitable.

Export growth also contributed to the transformation of the economic model, again much influenced by external circumstances. Recession in the industrialized countries made large sums of capital available in the Eurodollar market; Brazil's economic performance, stable regime, and capacity to repay—as measured by its mushrooming exports—made it a prime outlet for bank loans. Eventually these became an avalanche. Access to foreign capital underwrote rising investment and higher growth rates than had been planned; it also was a fillip to public participation in the economy since state enterprises had advantages in competing for funds.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

This debt-led model, with its annual real growth rates consistently in excess of ten percent, altered the bases of cooperation with the United States. Official bilateral assistance became irrelevant when billions of dollars in private resources were available for the asking and when public lending from the World Bank and Inter-American Development Bank was increasing. Brazil became attractive as well to direct foreign investment from non-American multinationals, particularly German and Japanese. Trade statistics reflected increasing imports from such sources, and a flow of competitive exports of manufactured goods to the United States.

These changes in objective economic circumstances were matched by subjective changes in perceptions. The new technocrats who presided over the "economic miracle" were neither as ideologically committed nor as cosmopolitan as their predecessors. Just as Roberto Campos symbolizes the latter, Antonio Delfim Neto characterizes the former. Educated in Brazil, pragmatic, supported by São Paulo industrialists, Delfim's experiment with more heterodox economic policies in 1967 and 1968 actually encountered AID opposition until it proved successful. He owed nothing to American support. The new military leaders were of a kind: less committed than the Castelo Branco group to restoration of constitutional rights and return to civilian rule, as the Fifth Institutional Act in December 1968 made apparent. Economic performance could rationalize all. Expressions abroad of opposition to increased authoritarianism and to mounting levels of repression and torture were of little concern. Even when Robert McNamara, as President of the World Bank, singled out the Brazilian model for widening the internal gap between rich and poor and neglecting the bottom 40 percent of the population, the response was first to deny the allegation and second to rationalize it as an inevitable concomitant of rapid, capitalist growth.

That became the consuming passion, and it influenced the redefinition of foreign policy increasingly in the direction of its present pragmatic and ecumenical stamp. By 1971, anxieties about adequate space for Brazilian maneuver were clear; Ambassador Araujo Castro, Brazil's envoy to Washington, enunciated, before the National War College of Brazil, the dominant objective of foreign policy to remove "all obstacles whatsoever that may counter its full economic, technological and scientific development. . . . Brazil would be, among the countries of the world, one of those that would suffer the most through affirmation of a Policy of Freezing of World Power."

Brazilian positions on international issues reflected these new preoccupations. Brazil refused to adhere to the Nuclear Nonproli-

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

feration Treaty, and even backed away from unconditional support of a hemispheric nuclear-free zone after having earlier been one of its principal proponents. Brazil asserted sovereignty over a 200-mile offshore coastal limit, with accompanying claims for extensive economic control. Its active search for economic association with the newly liberated African states outweighed loyalties to Portugal and the former colonial powers. Even the commercial possibilities of Eastern Europe were not ignored.

These more aggressive stands did not stop rising foreign participation in the domestic economy, even less so than in the 1950s when nationalist rhetoric had been the province of civilian leaders. The ruling military no longer found the assertion of Brazilian independence objectionable, what with the cold war perspective of the early 1960s giving way to détente, internal subversion no longer an issue, and Brazilian borders not even remotely threatened.

In many respects Quadros' independent foreign policy was thus being implemented—but with two crucial differences. First, Brazil has not wavered in its commitment to the West; there was no question of nonalignment. Brazil also remained constant in its opposition to Cuba within hemispheric councils, even when the United States accepted change. (On the other hand, it was unprepared in 1975 to support an alternative to the MPLA in Angola once it became apparent that the U.S. opposition was ineffectual; a successful African policy required that Brazil not be seen as anti-liberation—although some high-level military objected.)

In the second instance, Brazil now had the economic credentials required to assert its independence more seriously. If not in the present, extrapolation of the economic miracle in the intermediate term added up to impressive capacity. *Grandeza* was no longer an empty gesture.

In retrospect, the capacity of the United States to remain oblivious to the clear changes going on is a measure of the inadequacy of its "low profile" Latin American policy. Continuing congruence was simply assumed. Satisfaction with Brazilian pro-Western preeminence in South America—and its stabilizing influence upon its neighbors—motivated President Nixon's famous 1971 pronouncement. Secretary of State Rogers in Brasília in 1973 was even more explicit. After talks with President Medici, he said: "We don't have any problems really, at the moment, at all between Brazil and the United States."

IV

The oil crisis months later—as well as changed economic circumstances—was to confirm the inaccuracy of the diagnosis. The rise

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

in oil prices marked the end of postwar American economic hegemony. The rapid growth of Japan and Europe and a continuing weak U.S. balance of payments in the 1960s had been a first signal; the Smithsonian Accord devaluing the dollar in 1971, and repetition in early 1973, indicated the seriousness of America's plight. The oil crisis, and its attendant massive transfer of resources to the OPEC countries, contributed to a global recession and dramatized America's limited capacity to cope with a new and more demanding interdependence.

Diminished American power coincided with greater Brazilian vulnerability. The fourfold leap in oil prices exposed the fragility of Brazil's open economy model; three billion dollars were added to its import bill just when exports encountered reduced demand. A much larger foreign debt could tide matters over in the short term; more definitive solutions were required for the longer term.

The search for them pushed Brazil toward even greater independence from the United States. Two imperatives dominated its foreign policy: assuring adequate supplies of energy and guaranteeing growing markets for exports. In both cases the United States emerged as antagonist, rather than ally.

The first blow came in July 1974, when the U.S. government informed Brazil that it could no longer guarantee processing of nuclear fuel for Brazilian reactors then under construction by Westinghouse; potential claims on U.S. capacity were greater than could be met. Since the nuclear option figured prominently in Brazil's planned adjustment to higher oil prices, the decision introduced an unwelcome uncertainty. That it applied universally was not a source of comfort; rather, it merely underscored the absence of a special relationship. But, most of all, the decision brought home the reality of continuing dependence.

During 1974 as well, countervailing duties emerged as a pressing bilateral issue. Laws in the United States dating from the 1890s imposed surcharges on imports benefiting from foreign subsidies—whether injury was caused to American producers or not. American shoe manufacturers, smarting under a declining share of the market, pressed the Treasury Department to act. Reluctantly, and under court pressure, it did—finding Brazil at fault. The announcement of the decision in September evoked a formal diplomatic note of protest.

Despite a superficial similarity, the conflicts were of a different kind and illuminate some of the bureaucratic complexities affecting Brazilian foreign policy. The Foreign Ministry's bitter protest over countervailing duties was not indicative of a generalized Brazilian reaction. Finance Minister Mario Henrique Simonsen's

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

concern was less with the principle of market access than the magnitude of the surcharge and its impact upon shoe exports. At this practical level, the decision was a Brazilian victory. Instead of a duty that might have been as large as 24 percent, close Brazilian cooperation with the Treasury resulted in a levy of 4.8 percent applicable to the vast majority of firms. Despite the adverse precedent of countervailing duties, their application would remain specific and negotiable.

This more accommodating view—to the extent of actually reducing subsidies—continues to be opposed by the Foreign Ministry. The division has limited Brazilian effectiveness in the multilateral trade negotiations in Geneva.

In energy, the threat posed—access to technology—was more serious and also one that had military ramifications. The Foreign Ministry's more aggressive and independent stance, therefore, carried the day on energy, culminating in the nuclear agreement with West Germany in May 1975. When it came to large new contracts for petroleum exploration by foreign companies, however, Foreign Minister Antonio Silveira was in almost lone opposition. Official Brazilian support for the need of Third World countries "to preserve the sovereign use and effective control of their natural resources" did not carry much weight in the decision to end the historic monopoly of Brazil's national oil company, Petrobras.

As with Petrobras, so with the New International Economic Order more generally. However much the Foreign Ministry may emphasize "solidarity among the developing countries in defense of their common interests," the Brazilian stance is one of only notional adherence to the Third World. After all, the Brazilian miracle was constructed on the basis of the old economic order, and directly threatened by the new regime of higher oil prices.

Brazil-U.S. bilateral divergences and the then pressing claims of the New International Economic Order combined to produce a more explicit U.S. policy on Brazil. Although never articulated as such, it came to consist in 1975 and 1976 of three components: an effort to persuade Brazil to take a leading and moderate Third World voice in international economic negotiations; an attempt to dampen the adverse effect of bilateral divergences; and, the *pièce de résistance,* agreement to establish a favored, joint consultative procedure with Brazil.

None did full justice to reality. It was wishful thinking to elevate Brazil to a leadership role within the Third World; Brazil's strategy was much more flexible and self-serving. If developing-country

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

status could yield special privileges, Brazil was happy to associate itself with the Third World, though without being in the forefront. But if such identification threatened its special position in international financial markets, Brazil was ready to draw the line.

So, too, the efforts at damage control did not adequately recognize changes in the American mood. When U.S. domestic objections to the nuclear accord with West Germany mounted, in reaction to its potential consequences for proliferation of nuclear military capability, the State Department brought to bear ineffective and belated pressures on the West Germans, as well as on Brazil. But they were sufficient to annoy the Brazilians—persuaded that Westinghouse's foregone profits were the culprit—and inadequate to satisfy a restive and concerned Congress. When human rights violations came increasingly to public notice, the Kissinger State Department counseled private diplomacy and stands weaker than those advocated by the Embassy in Brasília.

Finally, the capstone of the 1976 memorandum of understanding was a flawed device from the start. The joint commission structure had proliferated during Kissinger's tenure without proving itself a useful vehicle either for communication or implementation. In principle, it afforded a means of circumventing the bureaucracy; in practice, cabinet-level concern in the United States could not be sustained, and responsibilities devolved upon less senior officials. Procedures established to bless Brazilian ascent to global significance were ill designed to do so.

This was the more true because of the prominence of economic issues on the agenda. Neither Silveira nor even Kissinger could speak definitively for their governments on such matters—and yet the foreign ministries were vested with the responsibility for structuring and chairing the consultations. The Simon-Simonsen correspondence may have been more mundane and less far-ranging than the Kissinger-Silveira exchanges, but it was no less important. These bureaucratic realities went unrecognized.

The ultimate flaw was, of course, the reliance upon procedural form as a substitute for pursuing new bases of a substantive consensus. Real divergences had already begun to intrude: the West German nuclear accord, human rights, trading rules—some of the very issues that were to flare up more violently with the new Administration. Reiterated professions of traditional friendship misinterpreted the past and provided an inadequate foundation for the future. It was Silveira, after all, only months before the memorandum was signed, who had warned in a Chatham House speech: "During the cold war, a rigid alignment with the leader of

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

the Western bloc was required of the nations of the developing world that share the basic values of the West. An emergent power, with a wide range of interests in many fields, cannot allow rigid alignments, rooted in the past, to limit her action on the world stage."

V

Brazilian disenchantment with Washington in 1977 thus responded to more than the tactical errors of the new Carter team—although they certainly were not lacking. The new foreign policy directions of the Administration aggravated many of the differences that had been imperfectly allayed by an outward show of amicability. By giving priority to resolving economic and political issues on global terms—questions such as nuclear proliferation, law of the sea, multilateral trade negotiations—the regional and bilateral special relationship Kissinger had encouraged was diminished. At the same time, an obvious reliance upon the advanced industrial nations of the so-called trilateral world to resolve world economic problems pointedly excluded Brazil, thus dramatizing the frozen power structure within the West. Idealistic profession of human rights as a prime foreign policy objective downgraded the traditional economic and security bases of U.S.-Brazil relations.

To make matters worse, globalism and idealism have been inadequately and unequally implemented. The Western Hemisphere bore much of the brunt of the human rights policy, while the Shah of Iran could be complimented on his shared commitment to such a policy. Nor did the new idealistic principles rally American domestic support for more generous treatment even of those developing countries passing the test. Moreover, progress on global issues has been painfully slow, even as cooperation among the industrialized countries failed to assure recovery of the world economy.

Renunciation of these broader principles and approaches in favor of the past is not, however, the way to a more satisfactory U.S. policy for Brazil. For both these principles have a consistent logic. Globalism responds to a widening distribution of power and the broadening scope of relevant problems. Idealism is a welcome substitute for the anti-communism that so long was the accepted formula for translating domestic values into foreign policy. They are requirements not easily finessed.

Nor are they unique to the U.S. side of the equation. Brazil has for some time recognized, and taken advantage of, the reshaped structure of world political and economic relationships in design-

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

ing its foreign policy. Diversification is one response to the multiplication of global problems; it permits a search for special opportunities through bilateral relations, without binding commitments. It is a luxury open to newer, and still marginal, actors. The policy has been an effective international projection of the national security doctrine enshrined domestically.

Profound changes are underway internally, however, that may force review of this symbolic nationalism. Relative democracy, as President-elect Figureido has described the Brazilian political system, shows signs of more vitality than he himself finds comfortable. This has expressed itself in the emergence of an opposition military candidate for the presidency for the first time since 1964, and a consequently broadened scope for debate. As that debate has proceeded, military and civilian veiws have begun to coalesce on the need for a more open society. Repression has yielded to de facto acceptance to the right to strike and a new independence for labor movements; censorship of the press has been lifted; indirect elections confront waning legitimacy. Despite stringent campaign limitations, the opposition MDB Party has polled a vote of impressive proportions in the November 1978 congressional elections. Within Brazil, too, anticommunism no longer serves as the dominant value.

In this context, the essential requirement for an effective U.S. policy, as it was before 1964, is a tangible commitment to the centrality of economic development. This is the keystone of any enduring relationship with Brazil. For all the emphasis upon *grandeza*, Brazilians of all political persuasions remain acutely conscious of the large and only now diminishing development gap. Political demands and pleas for shared responsibility will fall on deaf ears absent a sensitivity to Brazilian economic preoccupations. The inability to place the nuclear and the human rights issues within that broader framework has permitted the Brazilian government to capitalize on each as an infringement of sovereignty and as a constraint upon national destiny.

Specifically, a new and major effort in North-South relations is called for. This no longer requires major concessions to the now rapidly receding radical demands for a drastically revised international order. Rather it calls for American leadership on behalf of realistic and continuing progress on the interrelated trade, financial and technology issues crowding the agenda.

A first step is to involve the principal developing nations in economic summitry. If interdependence is real, it should not be so split into North-North, North-South divisions. A policy of en-

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

couraging Third World participation, in which Brazil would obviously share, goes beyond recognition of newly acquired status. Participation also forces the very perception of global economic problems away from narrow attention to rates of inflation in the industrial countries to broader concerns about international growth. The United States could only gain in its negotiations with West Germany and Japan from such an extension. Its own balance-of-payments deficit would be better understood as part of an effort to sustain world demand and trade, and so to contribute to the continuing expansion of the Third World. And its futile diplomacy of encouraging more rapid West German and Japanese economic expansion might be directed to encouraging redistribution of their surpluses to the developing world.

It is unnecessary here to recapitulate the variety and present status of particular reforms that might be undertaken. What is important is that the process of technical convergence observable in many independent forums be given a perceptible impulse by a political decision immediately extending participation. This step is all the more important now when domestic U.S. economic policy is increasing the probability of a recession, with less demand for imports from Brazil and other developing countries.

Renewed and sustained attention to economic issues at the global level is necessary but it is not sufficient to guarantee better U.S.-Brazil relations. Fashioning new bilateral instruments for substantive cooperation with Brazil is also needed. In the past such arrangements signaled a U.S. commitment to Brazil's economic development that went beyond lip service to the beneficial functioning of the private market. They can do so again.

Technology transfer particularly commends itself as a focus for direct governmental cooperation. Few countries value technology as highly as Brazil; it is to the country's leaders the foremost single measure of meaningful independence. In all of Brazil's bilateral dealings with the industrialized countries, technology has assumed prominence. Conversely, American technical capability is an underutilized foreign policy asset. In at least two key areas, energy and agriculture, public sector research is important enough to make governmental arrangements meaningful. Effective interchange is more a matter of organization and bureaucratic priorities than massive expenditure. For years, the military has built on the potentialities of such interchange. It is time they were applied to civilian and productive uses.

A program of public sector technology transfer in energy can help to take some of the sting out of the nuclear reprocessing

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

controversy by emphasizing new and constructive alternatives. The present International Nuclear Fuel Cycle Evaluation will achieve little in the absence of concrete possibilities and specific technical interchange. The broadening receptivity in Brazil to serious reexamination of its nuclear commitment is opportune. Transfer in this area can be truly reciprocal. Brazilian experimentation with alcohol as a partial substitute for gasoline is relatively advanced.

Inclusion of agriculture is desirable on other grounds. Brazil is now facing important strategic decisions in this sector. It can go in the direction of large-scale, agro-industrial complexes or pursue a more balanced approach that also gives weight to small land holdings. Private sector research pushes almost exclusively in the former direction. Public sector technology transfer can open the way to a more independent and indigenous strategy with positive consequences for the distribution of income—personal as well as regional.

These initiatives are not novel. Indeed, the Joint Communiqué following the April 1978 visit devoted considerable attention to global issues of development as well as to bilateral mechanisms of cooperation. The reality has been quite different. International economic reform confronts an indifferent and even hostile U.S. domestic climate. Serious technical cooperation confronts a lack of resources and bureaucratic inertia. Both reflect a not surprising unwillingness to face the fundamental issue—to what extent is the United States prepared to cede, even marginally, some of its own position of prominence for the benefit of a rising Brazil? Significant domestic interests are affected. Freer trade will necessarily mean larger imports of manufactured goods from Brazil, potentially displacing U.S. producers. For even with continuing capital outflows to Brazil over the near future, that day of reckoning can only be temporarily postponed. Accelerated, even if cooperative, technological transfer will yield relatively greater benefits to Brazil and a potential for its more rapid advance.

The gains from such a policy to the United States are more subtle, but no less real. A rapidly growing Brazil will be a better market for U.S. exporters in absolute terms—even if the trade balance is negative. A Brazil more technologically independent will be better able to absorb and stimulate technical advance in the United States—even if traditional modes of direct investment and control will have changed. A Brazil more integrated into the international economy will contribute to the stability of a global system necessarily governed by rules rather than hegemony—even

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

if there is no special relationship with the United States.

In the last analysis, such changes are already underway. At issue is a policy adequate to cope with them. The specifics of the controversies surrounding the nuclear agreement, countervailing duties, and even human rights, are less significant than the fact that they signal a definitive end to the post-1964 presumed congruence. Brazilian interests are not identical with those of the United States. Instead, the search must be for mutual interests—for the long as well as the short term.

That means complementing an enlightened economic policy, appealing to many Brazilians, with a continuing stand in favor of human rights, also popular, but to a different constituency. The U.S. position is no more interventionist than was its advocacy of conservative economic principles in the 1950s. Views about human rights are not inherently more intrusive than those about property rights.

Washington's receptivity to political change, however, is self-defeating without a commitment to a favorable international economic environment. It is not for the United States to help design the domestic economic or political policies of the Brazilian transition away from authoritarianism. The leverage now comes more indirectly.

Brazil's capacity to cope with domestic economic problems while widening the participation of hitherto excluded groups is influenced by the performance of the global economy. Inflation, the foreign debt, demands for rising real wages, all become more difficult problems during slow expansion. Those problems could force more disruptive courses: renewed military repression or an inflexible economic nationalism directed against the extensive private U.S. interests that have been a source of continuity of the bilateral relationship. Neither course is attractive.

In these circumstances, there is an urgency—and an opportunity—to take on the task of reconstructing the relationship. It will not hurt, even in the near future, that the United States stands for human rights rather than authoritarianism, and for change rather than the status quo. But that idealism must be linked to evidence that the United States is prepared to deal, globally and bilaterally, with the economic issues of trade, finance, debt, foreign investment, technology transfer, etc., that are of such concern. These questions do not involve a mere giveaway of resources; they preeminently deal with the division of benefits in a growing international economy.

In short, U.S. policy must frankly seek to seduce Brazil from its

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

present preoccupation with national economic advantage to a more global role, and from its fears of political exclusion to active exercise of responsibility. It must also be attractive to internal progressive forces. There is no other way to begin except by a demonstrated American political will and capacity to get on with the development agenda. Jimmy Carter has shown his courage in grappling with the Middle East, and confronting the dominant North-North issue of inflation. Many are hoping that he has not so soon forgotten his trip South.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

COMMENT AND CORRESPONDENCE

THIRD WORLD DEVELOPMENT: A REBUTTAL

To the Editor:

In his January 1978 article, "Population Growth and Economic Development: The Case of Mexico," Professor Ansley Coale has, in my judgment, distorted the fundamental issues facing the developing world. In particular, he omits any adequate discussion of how the wealth in developing countries is distributed and the effect this has on population growth.

Mr. Coale structures his article around what he calls the two dominant positions on the relationship between population and development. One camp, whose members he calls the pessimists, argue, in Malthusian fashion, that rapid population growth constitutes a "trap for the poorer countries: their best efforts to develop could serve only to maintain an ever larger population under unimproved or even deteriorating conditions." Population control is viewed as a prerequisite for progress.

The 20-year data on Mexico revealed an increased fertility rate coupled with increased per capita income. Progress has been possible without population control. Coale, therefore, dismisses the position of the population control advocates as invalid.

The other camp, whose members he calls the optimists, maintains that "poverty was caused by remediable institutional defects, whether these be highly unequal division of property, the capitalist system, or the unwarranted interference of the government in a free market." This camp argues that the concern for excessive population growth is misdirected. Change the distribution of wealth, or allow for unfettered economic growth, and the dual problems of poverty and excessive population growth will take care of themselves.

The same data on Mexico that revealed economic growth with an increased fertility rate disproved the second part of the assertion: that economic growth lowers the birth rate. But the first part, concerning the effects of redistributing wealth, remains untested in Coale's analysis. Nonetheless, he dismisses the entire position including both the growth proponents and the redistribution advocates.

What is left? Coale concludes that the only alternative is strict population control *coupled* with rapid economic growth. But he has thus misconstrued the two dominant positions. He incorrectly separates population control advocates and growth proponents into two distinct polarized camps. There is, however, no basic antagonism between the position of strict population control and that of unfettered economic growth. On the contrary, these positions have often had the same spokesmen. Growth is viewed as necessary to provide food for those already born, while limiting the number to be born is considered necessary for growth to be successful. The emphasis, on growth or population control, depends upon the particular speaker, but the position remains the same. Growth, coupled with strict population control, is considered necessary to eliminate hunger and poverty.

In his second camp, Coale has mistakenly grouped together the growth proponents with the redistribution advocates. A fierce antagonism exists between these two distinct perspectives. The growth proponents do not challenge

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

the existing patterns of power and wealth in a developing country, promoting instead, development through the given structure. Their proposals for growth have been capital intensive, dependent upon Western technology, and have been viewed by the redistribution advocates as profiting multinational corporations and entrenching the existing power relationships within the country. The redistribution advocates, on the other hand, attack the existing economic arrangements within a country, arguing that they are the cause of poverty, hunger and excessive population growth. Their proposals involve extensive land reform, income redistribution, and labor-intensive development techniques. These advocates claim that only by altering the existing social and economic relations can hunger and poverty be eliminated, and the conditions established for successful birth control efforts. Without significant redistribution, these advocates claim birth control efforts will fail, and even high rates of growth will not eliminate poverty and hunger.

These, then, are the actual two divergent positions: growth with strict population control, and redistribution followed by population control.

The position of growth with strict population control has a strong surface appeal. It seems eminently plausible that hunger and poverty are caused by: (1) not enough food and (2) too many people. The solution appears just as obvious. Increase the amount of food through rapid economic growth and hold down the population through strict birth control.

However, such reasoning is simplistic and overlooks the key problem of distribution. The United States, for example, is blessed with abundant natural resources, advanced technology and a low fertility rate. There is more than enough food for all. Yet in 1972, the U.S. Bureau of the Census reported that "at least 10 to 12 million Americans are starving or sick because they have too little to spend on food." And the recent and abruptly terminated National Nutrition Survey (1970) revealed that nutrition problems among the poor in the United States are similar to those found in developing countries. Bone underdevelopment and swollen bellies due to protein or caloric malnutrition were observed in four to five percent.[1] At the same time, about half of the production of our harvested acreage is fed to animals—to provide the non-poor with steak and chicken. This includes 90 percent of our corn, oats and barley, and over 90 percent of our unexported soybean crop. America could easily feed its entire population.

To eliminate hunger, it is not enough simply to produce great amounts of food and to lower fertility rates; one must also change the way purchasing power and goods are distributed. Coale, however, managed to evade the crucial issue of distribution entirely. His evidence for economic progress in Mexico was its 89 percent increase in per capita income. But per capita income (or GNP) is an invalid measure of the progress of a country—particularly when one is concerned with the extent of poverty and hunger. Per capita figures are averages and mask the conditions of the various income groups. Per capita income can go up while poverty is increasing, or it can go down. What matters is how that income or GNP is distributed.

In the case of Mexico, data from 1950 to 1969 (the same 20-year time span Coale employed), reveals that in spite of a large increase in per capita income, the income improvement of the poorest 20 percent has been negligible. In fact,

[1] Susan George, *How the Other Half Dies*, Montclair (New Jersey): Allanheld, Osmun & Co., 1977, p. 10. I am indebted to Ms. George as a basic reference and the source of much information in this comment.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

the proportion of income going to the *top* 20 percent as compared to the *bottom* 20 percent has jumped significantly from 10 to 1, to 16 to 1.

Brazil, to cite another example, with an impressive GNP per capita growth rate of 5.6 percent is often cited as a model for Third World economic development. Yet Brazil's population continues to grow 2.9 percent yearly, and it continues to have severe problems with hunger and malnutrition. The problem is one of distribution.

Can making birth control information and facilities available, as Coale advocates, reduce population growth and eliminate hunger in the Third World? Or must wealth and income be redistributed first? Consider the case of India. Over 100,000 people have been employed yearly in population reduction extension work. The money allocated to family planning has increased from an initial million and a half rupees to 560 million ($68.9 million) in the current (1974–79) budget—an increase of nearly 2,700 percent. The effort has been phenomenal, but the results miserable. As Indian researcher D. Bannerji has written: "Despite the enormous investment, despite the goodwill of planners and political leaders . . . the programme has abjectly failed" to reduce the birth rate. Pakistan displayed a similar result. Millions of dollars were spent, teams of "continuous motivators" swept through the country, and contraceptives were offered at 30 cents for a year's supply. But there was little effect on the birth rate.

The efforts in both countries were based on the assumption that under the existing social and economic conditions people want smaller families. But the assumption is wrong. In fact, there are very good cultural and economic reasons for Pakistanis to have large families. These are detailed by Mahmud Rosahn, a Pakistani researcher who has studied Pakistani villages. He finds that:

> . . . all male and female children . . . start contributing in some beneficial way (to their families) after the age of four. These children take care of goats, buffaloes, and chickens, take food to the father in the field, and many similar chores. . . . Their responsibilities increase with age. They earn by selling milk, working as laborers in the cities; working on a horsecart or bullock-cart, or in small trade.[2]

Unlike the children born to the readers of this article, who prove to be a distinct economic disadvantage, children are an economic advantage to poor families in the Third World. But in the Third World, poor people live at such meager levels that their children bring in more money than it costs to support them. Since most Third World infants have only a 50/50 chance of living until the age of five, it becomes understandable why birth rates remain high even in the face of massive birth control efforts.

But what evidence is there that a more equitable distribution of wealth can lower birth rates and feed the population? The Overseas Development Council report *Population* quotes a 1971 study by researcher William Rich that demonstrates that a more equitable distribution of wealth lowers birth rates. Rich's study showed that in developing countries with similar per capita GNPs, decreases in birth rates are primarily determined by the *distribution* of their GNPs. The more equitable the distribution, the lower the birth rate. The same conclusion is borne out by the comparative figures for five developing countries published by the *New Internationalist*. The 30-year data on the economies of the Philippines, Taiwan, Mexico, Brazil, and Korea reveals that land reform and

[2] Quoted in Bill Peterson, "Battling the Birth Boom—Small Wins—Big Failures," *The Washington Post*, May 18, 1978, p. A22.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

income redistribution are the key to lowering birth rates. The two countries that have done both, Taiwan and Korea, have experienced drops in their birth rates from 41 per 1,000 to 26, and from 45 per 1,000 to 30. The other three countries, which have relied upon the traditional approach of economic growth, have experienced little change in their birth rates.

Summarizing the research in this area, Jonathan Power writes in *The Washington Post:* "In nearly all countries with falling birth figures the process was initiated when the majority of the population began to receive a share of the improvement in the social and economic condition." This is true for a "broad spectrum of countries with such varying conditions as Taiwan, China, South Korea, Singapore, Hong Kong, Uruguay, Costa Rica, and Sri Lanka. Conversely, in countries with relatively high economic growth but where the benefits of growth are not available to a wide section of the population, the birth rates remain high as, for example, in Venezuela and Mexico. The decisive factor appears to be not the level of gross national product but the degree of income distribution."[3]

Thus redistribution does facilitate birth control, but can it also feed the population?

A 1974 World Bank report gave the following indications. There are four developing Asian countries generally credited with feeding their entire populations: China, South Korea, Taiwan, and North Vietnam. Yet these four countries have the least cropland per person of all countries in Asia! Their high population density has not prevented them from eliminating hunger. What differentiates these four countries from other Third World countries is effective land reform. Wealth has been distributed in an egalitarian fashion. People can now feed themselves from their own land rather than going unemployed or working other people's land for meager income with which to buy scarce food.

One measure that has often been used to judge how well a country is feeding its population is average caloric intake. But what is important is not the average, but the way in which caloric intake is distributed. Cuba, with extensive land reform, and Brazil, without it but with rapid economic growth, offer excellent examples.

> FAO figures show, for instance, Cubans receiving an average of 2,700 calories a day and Brazilians a comparable 2,620. Since we know Cuba is a relatively egalitarian society, we may assume that the entire population is well above the level of serious malnutrition, as is in fact the case. But a more *detailed* study of food consumption *according to income* for Northeast Brazil shows that the poorest people were at the physiological starvation levels with 1,240 calories daily, while the richest were stuffing themselves with 4,290![4]

Those countries that have redistributed wealth (land and income) are the same countries that have distributed calories equitably throughout the population.

Finally, as Susan George points out, in China, which formerly could not feed a population of 500 million people, a population of 800 million today consumes over 2,300 calories a day per person.

The important thing to realize, therefore, when trying to think straight about Third World economic development is that hunger is not caused by population

[3] Editorial, "Overpopulation: The Income Factor," *The Washington Post,* May 23, 1978.
[4] Susan George, *op. cit.*, p. 20.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

pressure. Rather, both hunger and population growth are *symptoms* of the failure of a political and economic system to meet human needs. The redistribution of wealth *does* eliminate hunger and control population growth.

Two prominent spokesmen on Third World economic development have emphasized this point: Robert McNamara, President of the World Bank, and Lester Brown, President of the Worldwatch Institute. Ten years ago their presentations emphasized growth and only growth. They focused on technical solutions to the world population and hunger problem: providing extensive information and facilities for birth control, and adopting capital-intensive Western technology for industrialization. Within the past five years, though, there has been a shift in their thinking. Both have come to acknowledge the important effect redistribution has on controlling population growth and eliminating hunger. They now recognize that the solution to the hunger and population problem is not just technical, but social and political as well.

Their transition is important because their critics have, for a long time, been advocating redistribution of wealth rather than the traditional approach of economic growth. Third World development involves, therefore, much more than the topics of per capita income, growth and birth control that Coale discusses. There are people to be fed, wealth to be redistributed, and social justice to be provided.

LAWRENCE C. STEDMAN
Bethesda, Maryland

Mr. Coale replies:

In his reply to my article, Mr. Stedman advocates economic reorganization in the developing countries, especially emphasizing land reform and a more equitable distribution of income. He implies that I defined economic development as mere increase in gross national product per capita and that I recommended a development strategy of rapid growth combined with a strong control of fertility. Yet the article to which he replies listed not just growth in income, but also large increases in school enrollment, literacy and the mean duration of life as indications of social and economic progress in Mexico, and stressed as an important goal of development the provision of adequate employment opportunities. I am happy to agree that a more egalitarian distribution of income should also be given a prominent place in the objectives of development.

The principal subtantive point that Mr. Stedman raises is that a more equitable redistribution of income (including land reform) will reduce the birth rate and perhaps is a necessary condition for the success of any birth control program.

The evidence on this point is very mixed. It is true that certain countries which have had a redistribution of land and which have attained a relatively egalitarian distribution of incomes (including especially Taiwan and Korea) have had major declines in fertility, while other countries with very unequal income distribution in which there has been substantial economic progress (including Mexico and Brazil) have had little or no declines in fertility. But there are many differences other than in income distribution between these sets of countries. Moreover, fertility has in fact fallen extensively in several countries with very unequal distributions of income. Countries with more than 30 percent of the income received by the top five percent of the population and with substantial recent declines in fertility include Colombia, Jamaica, Panama and Turkey. There has also been a large reduction in East Java and Bali within

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Indonesia, and in Thailand, and I suspect (in the absence of official data) that income distribution is very uneven in these countries. Nor was the decline of fertility that occurred in Western Europe, in the United Kingdom, Germany and other industrialized countries in the nineteenth century a reflection of an equal distribution of income.

On the other side, the fertility of married women in the Central Asian republics of the Soviet Union was as high in 1970 as it had been in European Russia as a whole in 1897. From 1926 to 1970, there had been an increase of nearly 50 percent in marital fertility, probably the result of less prolonged breast feeding and improvements in health and nutrition. The age pattern of fertility in these republics indicates virtually no prevalence of voluntary control. I do not have at hand data on the income distribution in these republics. They have certainly been subject to a form of land reform (collectivization) similar to that found in the People's Republic of China where, according to all accounts, there has been a substantial reduction in fertility. Incidentally, other reports from China indicate that the reduction in fertility in the People's Republic as a whole has not been shared by the same Central Asian peoples (such as the Tadzhiks) who have had increased fertility within the Soviet Union.

In other words, income redistribution and land reform, like reduction in infant mortality, the spread of education and other well-recognized aspects of economic and social change, may well facilitate the reduction in fertility, but are not in themselves a sufficient condition for a reduction.

There is, however, plainly an influence in the opposite direction: the attainment of a more equal income distribution *is* facilitated by a reduction in fertility among the lower income segments of the population. The usual initial restriction of family limitation to the more privileged segments of the population tends to perpetuate, or even to accentuate, the concentration of income in the next generation by giving the children of the well-to-do a favorable home environment, easier access to schooling, and, to the extent that there is inheritance of property, lesser division of their already disproportionate claims on wealth.

The concluding point of my article was that the attainment of broad objectives of development—higher levels of consumption, better health, more productive employment, more education, and higher status for women—are all made easier by reduction in a very high rate of childbearing. I would add a more equitable distribution of income to this list. Where I differ from Mr. Stedman is not in opposing reforms that he favors, but in skepticism about the immediate value of these reforms in bringing about a reduction in fertility. I regard providing the poor with information and services now restricted to the more educated and better off as a component of any balanced program of development, a component that enhances the success of other elements in the program including a better distribution of income.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

RECENT BOOKS ON INTERNATIONAL RELATIONS

Edited by Lucy Edwards Despard

General: Political and Legal

John C. Campbell

THE DISINTEGRATING WEST. By Mary Kaldor. New York: Hill & Wang, 1978, 219 pp. $10.00.

Mary Kaldor spares us nothing in her nightmare picture of the crisis of the West where the old patterns of political organization and economic relations are being overwhelmed by forces beyond their control. The prospective breakdown of Atlantic relations even includes the possibility of war between a united Europe and America.

IMPERIALISM IN THE TWENTIETH CENTURY. By A.P. Thornton. Minneapolis: University of Minnesota Press, 1978, 363 pp. $20.00.
IMPERIALISM: FROM THE COLONIAL AGE TO THE PRESENT. By Harry Magdoff. New York: Monthly Review Press, 1978, 279 pp. $12.50.
DECOLONIALIZATION: THE BRITISH, FRENCH, DUTCH AND BELGIAN EMPIRES, 1919–1963. By Henri Grimal. Boulder (Colo.): Westview Press, 1978, 443 pp. $23.75.

Rather than a history or a treatise, Thornton's book is an extended essay that reads like a conversation, pulling in facts from near and far to make a point, and telling brilliantly how the British and French came to have control over the destinies of other peoples and then lose it, and how the American imperialism of idealism and capitalism and that of the Russians then took over. Magdoff's volume covers much the same ground in time and space but from quite a different standpoint: that of a Marxist economist expanding Lenin's theory to fit the many new phenomena of the past half century. Though first published in French in 1965, the new English edition of Grimal's useful work, with a 1978 postscript, is worth mentioning here as it supplements the other two books. It is a work of broad scholarship and contains texts of key documents.

POWER POLITICS. By Martin Wight. Edited by Hedley Bull and Carsten Holbraad. New York: Holmes & Meier, 1978, 317 pp. $22.50.

A new and edited version of Wight's Chatham House pamphlet put out in 1946, augmented by some of his unpublished papers. Obviously dated, it has nevertheless a continuing value for students of international relations.

LEGAL ASPECTS OF INTERNATIONAL TERRORISM. By Alona E. Evans and John F. Murphy. Lexington (Mass.): Lexington Books, 1978, 690 pp. $34.95.
INTERNATIONAL TERRORISM IN THE CONTEMPORARY WORLD. Edited by Marius H. Livingston. Westport (Conn.): Greenwood Press, 1978, 522 pp. $37.50.

NOTE—BY SPECIAL ARRANGEMENT WITH THE MCGRAW-HILL BOOKSTORE, READERS OF FOREIGN AFFAIRS MAY OBTAIN NEARLY ANY BOOK PUBLISHED IN THE UNITED STATES AT THE PUBLISHER'S REGULAR LIST PRICE. WITHIN THE U.S., PLEASE ADD 95¢ PER BOOK FOR POSTAGE PLUS APPROPRIATE SALES TAX. IF OUTSIDE, PLEASE ADD $1.50 PER BOOK FOR POSTAGE AND 95¢ PER ORDER FOR REGISTRATION. SEND ORDERS WITH CHECK OR MONEY ORDER TO: THE MCGRAW-HILL BOOKSTORE, 1221 AVENUE OF THE AMERICAS, NEW YORK, N.Y. 10020.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

The State Department asked the American Society of International Law to do a study on terrorism, and, as might be expected, the result is not light reading. The individual subjects are handled by separate authors, but the general recommendations are those of a working group as a whole. The problems are necessarily political as well as legal, and the legal experts do not dodge the wider aspects. In the symposium edited by Livingston, so many authors write about so many topics, and not very well, that it does not add greatly to our enlightenment, although it has a useful bibliography at the end.

IDEOLOGY AND FOREIGN POLICY: A GLOBAL PERSPECTIVE. Edited by George Schwab. New York: Cyrco Press, 1978, 165 pp.

A volume with little internal unity but containing a few interesting papers, notably those by Seweryn Bialer and Donald Zagoria on the U.S.S.R. and China respectively.

FREEDOM IN THE WORLD: POLITICAL RIGHTS AND CIVIL LIBERTIES, 1978. Edited by Raymond D. Gastil. Boston: G.K. Hall (for Freedom House), 1978, 325 pp. $20.00.

Freedom House has now expanded its annual review of the state of freedom in the world to this yearbook form. Despite the inherent difficulty of quantifying freedom and ranking states accordingly, this is a worthy effort and a useful book of reference.

THE SPIRIT OF LIBERALISM. By Harvey C. Mansfield, Jr. Cambridge: Harvard University Press, 1978, 160 pp. $13.50.

In writing in defense of liberalism, Professor Mansfield goes back to its historical and philosophical origins, analyzes Locke, Mill and others, and insists on the need for hard choice, resistance to the tyranny of the majority, and real concern for the good of mankind.

General: Military, Technological, and Scientific

Andrew J. Pierre

TACTICAL NUCLEAR WEAPONS: AN EXAMINATION OF THE ISSUES. By William R. Van Cleave and S.T. Cohen. New York: Crane, Russak, 1978, 119 pp. $10.50.

TACTICAL NUCLEAR WEAPONS: EUROPEAN PERSPECTIVES. By Stockholm Peace Research Institute (SIPRI). London: Taylor & Francis, 1978, 371 pp.

A new debate on tactical nuclear weapons in Europe has now begun. These two sharply contrasting books represent its outer limits. Cohen, the acknowledged "father of the neutron bomb," and Van Cleave, a member of the "B" team in the CIA's competitive intelligence analysis of 1976, criticize NATO's emphasis on a conventional defense and question the credibility under present circumstances of the "coupling" of Europe's security to the U.S. strategic force. They call for a substantial modernization of NATO's nuclear posture through miniaturization and improved accuracy so as to provide a stronger war-fighting capability. The SIPRI volume, although containing a spread of views (including a short piece by the Soviet expert, M. Milshtein), points in the opposite direction. The risks that new tactical weapons may make a nuclear war more likely are emphasized. Imaginative ideas for arms control are put forth, although the contributions are somewhat uneven. Neither book, however, has the sophistication which will be needed to make sound judgments in the emerging debate.

WARNING AND RESPONSE. By Julian Critchley. New York: Crane, Russak, 1978, 144 pp. $14.00.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Wars today are rarely declared and then fought; they are initiated and subsequently acknowledged. In this pithy book the author, a Conservative British M.P. well versed in defense matters, examines surprise attacks in the twentieth century (Hitler's blitzkriegs, Pearl Harbor, the North Korean attack on the South, Yom Kippur 1973) and warns: the danger posed by the growth of Soviet power in Europe is clear and present, and raises the specter of a surprise attack. NATO can no longer rely on an early warning, and must change its strategy accordingly or risk rapid defeat. The remedy is not spelled out as well or as fully as the perceived danger; it hinges upon the deployment of new tactical nuclear weapons such as the cruise missile and the neutron bomb. A challenging and timely work on a controversial topic.

NUCLEAR POWER AND NUCLEAR WEAPONS PROLIFERATION. Report of the Atlantic Council's Nuclear Fuels Policy Working Group. Washington: The Atlantic Council, 1978, 2 vols. (Boulder, Colo.: Westview Press, distributor, $6.00 each).

This is a valuable review of most of the critical issues in the present nuclear debate, which also suggests alternatives to current U.S. policy. It assumes the necessity of giving priority to the development of nuclear power in order to deal with the energy shortage, while seeking to reduce the possibilities for weapons proliferation. Yet the report is skeptical of delaying commercial reprocessing or of the arguments against the breeder reactor—two hallmarks of the Carter Administration's approach. Rather, it makes a case for actively developing breeder reactors in cooperation with other countries using "proliferation-resistant" technology. Considerable emphasis is placed upon new multilateral arrangements for credibly assuring nuclear fuel supply and for spent fuel nuclear storage facilities, but it is not made clear how the many national and political obstacles to this might be overcome.

CAN SPACE REMAIN A PEACEFUL ENVIRONMENT? By Herbert Scoville, Jr. and Kosta Tsipis. Muscatine (Iowa): Stanley Foundation, 1978, 24 pp.

Observation satellites are essential to verifying arms control agreements such as SALT. In the past two years the Soviet Union has shown new interest in developing an anti-satellite interceptor capability in space and the U.S. has initiated discussions with Moscow on limiting such anti-satellite systems. This short pamphlet is an excellent introduction to an arcane but vital subject.

AMERICA IN VIETNAM. By Guenter Lewy. New York: Oxford University Press, 1978, 576 pp. $19.95.
CERTAIN VICTORY: HOW HANOI WON THE WAR. By Denis Warner. Kansas City: Sheed Andrews & McMeel, 1978, 312 pp. $9.95.
STRATEGY FOR DEFEAT. By Admiral U.S.G. Sharp. San Rafael (Cal.): Presidio Press, 1978, 324 pp. $12.95.

Three books which attest to the continuing interest in, if not need for, reassessing the Vietnam war in a calmer atmosphere. Guenter Lewy's is the most sophisticated and profound: on the basis of extensive research in documents, he argues that many of the accusations concerning the U.S. conduct of the war and the alleged atrocities were false; yet so were the underlying strategic assumptions. Denis Warner, an Australian journalist who has covered Asia for a quarter century, writes with much interesting factual detail, but fails to develop an overall theme. For Admiral Sharp, former Commander-in-Chief in the Pacific, there is a clear explanation: the war could have been won if the military had been left unfettered; but because of the policy of gradualism and bombing restrictions, the war was lost by the civilians in Washington.

THE PACIFIC WAR: WORLD WAR II AND THE JAPANESE, 1931–1945. By Saburo Ienaga. New York: Pantheon, 1978, 320 pp. $10.00.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

A scathing indictment of Japanese militarism, written by a well-known Japanese intellectual, designed to inform a younger, prosperity-minded generation about its past. Ienaga is as critical of Japan's allegedly "barbarous" conduct of the war—atrocities on the battlefield and repression at home—as he is of the nationalistic and authoritarian tendencies that led to Pearl Harbor.

JOURNEY TO BERLIN. By James M. Gavin. New York: Viking, 1978, 336 pp. $14.95.

This exciting and highly readable book, which covers the drops of the 82nd Airborne Division from Sicily to Belgium during World War II, is of interest as much for the story it tells as for the insight it provides into the character of a remarkable soldier who has had a distinguished career since leaving active service 20 years ago. Gavin is critical of Eisenhower's failure to press on to capture Berlin before the Russians got there.

ULTRA GOES TO WAR. By Ronald Lewin. London: Hutchinson, 1978, 398 pp. £ 6.95.

By some inversion of Gresham's Law, it appears that first-class books on the British breaking of high-level German ciphers are now replacing the partial and popularized treatments of 2–3 years ago. Brigadier Lewin's comprehensive history of the whole Bletchley Park operation and of the impact of its ULTRA product on key decisions in World War II belongs on the shelf alongside Patrick Beesly on the naval side and R. V. Jones on the scientific (reviewed in *Foreign Affairs* respectively in July 1977 and October 1978). The author has drawn on the mass of messages made available in the past year in their deciphered form, on extensive and thorough interviews with both technical people and military and civilian users, and above all on his own deep background as an accomplished military historian of World War II. The result is incisive, clearly written, balanced, and critical—but at the same time understanding of the pressures under which intelligence had to be assessed and decisions taken. An enduring source for what was probably the most important sustained intelligence success in the history of human conflict. *W.P.B.*

THE ALL-VOLUNTEER FORCE AND AMERICAN SOCIETY. Edited by John B. Keeley. Charlottesville: University Press of Virginia, 1978, 206 pp.

The all-volunteer army, which many regarded as an uncertain if not dubious response to a felt political need in the context of the domestic Vietnam trauma, is now in its sixth year. Has it been successful? Will it last? This work raises some hard questions regarding its racial mix, the further integration of women into the combat army, high disqualification rates based on physical or mental shortcomings, and the shrinking pool of eligible recruits in the next decade. A work of scrupulous analysis rather than polemic, this is the first cut on a problem of growing importance.

SHAPING THE DEFENSE CIVILIAN WORK FORCE. By Martin Binkin. Washington: Brookings, 1978, 114 pp. $2.95.

For every two men in uniform, the Department of Defense has one civilian employee. This Brookings study looks at an almost totally neglected dimension of the U.S. defense establishment and finds much that is wrong. As the manpower costs in the defense budget increase and the volunteer army comes under recruitment pressure, a critical reevaluation seeking the proper mix of jobs to be handled by military, civilians and outside contractors is urgently needed. A merit of this work is that it acknowledges that any reforms will have to face political and bureaucratic hurdles.

COMMANDOS AND POLITICIANS: ELITE MILITARY UNITS IN MODERN DEMOCRACIES. By Eliot A. Cohen. Cambridge: Center for International Affairs, Harvard University, 1978, 136 pp. $8.95 (Paper, $3.95).

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

A short and rather fascinating study of the roles of special forces such as the Green Berets, French paratroop units, British commandos, and the Israeli Palmach. The author makes clear that these troops, possessing unique military skills, may also have unusual political tasks and allegiances. To romanticize them may be to overlook some dangers to democratic civil-military relations.

SUB ROSA: THE CIA AND THE USES OF INTELLIGENCE. By Peer de Silva. New York: Times Books, 1978, 288 pp. $12.50.

"There are tigers roaming the world, and we must recognize this or perish," a 30-year veteran of the CIA writes in this spirited defense of the agency. This is essentially a personal account, vividly written, of the author's career, the greater part of which was spent abroad at the more challenging posts.

General: Economic and Social

William Diebold, Jr.

AN IDEA AND ITS SERVANTS: UNESCO FROM WITHIN. By Richard Hoggart. New York: Oxford University Press, 1978, 220 pp. $13.95.

A noble idea at the outset, UNESCO came to look like what someone called "a pork barrel floating in the clouds." Some recent activities have had a more sinister cast and threaten the concern for freedom and cultural values that moved its founders. Why this happened is one of the many things vividly explained by Professor Hoggart (now Warden of Goldsmiths' College, London), who left his chair of literature at Birmingham and his "particularly English" outside interests for five years as an Assistant Director General of the very multinational UNESCO in Paris. His judicious analysis shows a hard cutting edge as he deals with the inescapable political dimension of "cultural" activities, the pressures of governments, the deficiencies of the secretariat, the temptations and dilemmas of the Secretary General, and the whole tissue of life in and around UNESCO. In spite of much damning evidence, Hoggart believes that UNESCO should be kept alive for its limited success in some important undertakings and in the hope that it will be able to do more—he suggests how—to bring ethical and humane considerations to bear on national and international life. As trenchant a piece of work as one expects from the author of *The Uses of Literacy,* this is the best book on an international organization from the inside.

OIL COMPANIES IN THE INTERNATIONAL SYSTEM. By Louis Turner. London and Boston: Allen & Unwin (for the Royal Institute of International Affairs), 1978, 240 pp. $21.25.

Though the supply of books about oil is spilling over, room should be found for this one. Its focus is on relations between governments and the big oil companies as they have changed from 1939 to the present. Much of the material is familiar, but Turner, an economist working at Chatham House, does an excellent job of weighing conflicting views of the activity and influence of host and customer governments and the companies themselves. After considering the range of possible future developments he concludes that the companies will survive for quite some time.

OIL POLITICS IN THE 1980s: PATTERNS OF INTERNATIONAL COOPERATION. By Øystein Noreng. New York: McGraw-Hill (for the Council on Foreign Relations/1980s Project), 1978, 171 pp. $9.95 (Paper, $5.95).

In the long run, suggests Norway's leading oil analyst, rising prices may dampen oil demand and conjure up new energy supplies; but meanwhile both OECD and OPEC countries face much uncertainty and conflict as finite oil reserves are irrevocably depleted. Noreng's way across the valley of scarcity into the land of plenty is a global compact that would guarantee OECD countries steady energy supplies at only gradually rising prices and offer OPEC countries

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

a chance to invest in, and profit from, the post-oil alternatives. Such broadly balanced advantages might well sustain Noreng's scheme—once governments summon up the vision to enter into it.

Dankwart A. Rustow

PRODUCTIVITY AND THE SOCIAL SYSTEM—THE USSR AND THE WEST. By Abram Bergson. Cambridge: Harvard University Press, 1978, 256 pp. $17.50.

To compare the "economic merit" of different systems in any careful way requires an enormous amount of work; rarely are the results as clearly set forth as in this collection of papers by the senior American expert on the Soviet economy, who has undoubtedly taught the Russians things they did not know about their own country. Most of the comparisons are between the U.S.S.R. and the U.S. but the smaller Eastern countries and the members of the OECD frequently come into the picture.

PERSPECTIVES FOR ALL-EUROPEAN ECONOMIC COOPERATION. By J. Szita. Leiden: Sijthoff/Budapest: Akadémiai Kiadó, 1977, 372 pp. $34.25.

A Hungarian official with some responsibilities for his country's foreign economic policy sets out his ideas about the future of European economic cooperation. It must, he thinks, be broad in the subjects it covers, open to all and focused on the long run. There are detailed discussions of trade, energy, transport and a number of other subjects, and an exploration of various organizational possibilities. The book was written at the time of the Helsinki Conference, but the issues remain pertinent, as does the judicious discussion.

POUR UN NOUVEAU PROTECTIONNISME. By Jean-Marcel Jeanneney. Paris: Seuil, 1978, 155 pp.

Forthright and reasoned advocacy of protectionism is sufficiently rare to deserve attention. In this case, a former Gaullist minister and ambassador argues that the European Community would be better off—in welfare, stability, confidence and the wise use of resources—if it had a well-thought-out protective tariff that was flexible enough to offset changes abroad. He sees the advantages of some competition and wants to avoid the growth of inefficiency, but his prescriptions are not altogether persuasive. There is practically no attention paid to how the rest of the world would react if Europe followed this course.

MONEY AND POWER. By Jonathan David Aronson. Beverly Hills: Sage, 1978, 224 pp.

Banks affect governmental policies less by direct political pressure than by the situations they create through their international behavior. That is the main conclusion of this quite detailed book, but it also has a lot to say about the interplay of regulation and private behavior from the perspective of both bankers and officials.

INTERNATIONAL COMPARISONS OF REAL PRODUCT AND PURCHASING POWER. By Irving B. Kravis, Alan Heston and Robert Summers. Baltimore: Johns Hopkins (for the World Bank), 1978, 264 pp. $20.00 (Paper, $7.50).

To compare incomes internationally is a far more complex process than is suggested by the way figures are used in much of what we read. This second installment of a major U.N.-World Bank survey digs deeply into the real value of production and income in 165 countries during the 1970s. Valuable in itself, it is a cautionary tale for those who confuse exchange rates with purchasing power.

TO FEED THIS WORLD. By Sterling Wortman and Ralph W. Cummings, Jr. Baltimore: Johns Hopkins, 1978, 440 pp. $25.00 (Paper, $6.95).

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

NEITHER FEAST NOR FAMINE. By Selwyn Enzer, Richard Drobnick and Steven Alter. Lexington (Mass.): Lexington Books, 1978, 186 pp. $14.00.

Both books agree that the world can feed itself if the task is given sufficient priority. Wortman and Cummings, officials of the Rockefeller Foundation, spell out the methods in considerable detail and cite a voluminous literature. The other book results from a most ingenious combination of several forecasting methods with the documented reaction of experts to possible events in the future.

THE POLITICAL ECONOMY OF INFLATION. Edited by Fred Hirsch and John H. Goldthorpe. Cambridge: Harvard University Press, 1978, 307 pp. $14.00.

Much better integrated than most conference volumes, this one includes excellent analyses of the politics and sociology, as well as the economics, of inflation.

THE FIRST WORLD AND THE THIRD WORLD. Edited by Karl Brunner. Rochester: University of Rochester, 1978, 270 pp. $9.95 (Paper, $3.95).

Vigorous prose by half a dozen authors directed against the claims for a New International Economic Order.

The United States

Gaddis Smith

ROBERT KENNEDY AND HIS TIMES. By Arthur M. Schlesinger, Jr. Boston: Houghton Mifflin, 1978, 1066 pp. $19.95.

Arthur Schlesinger is the nation's premier builder of literary shrines to heroic Presidents: Andrew Jackson, Franklin D. Roosevelt, John F. Kennedy. In this, his finest work, he deals with the education (in the broadest sense) of one who might, but for an assassin's bullet, have become the first truly radical American President. Conjecture, yes. But the conclusion follows from this loving, witty, and richly documented book.

IN SEARCH OF HISTORY. By Theodore H. White. New York: Harper, 1978, 561 pp. $12.95.

White's enthralling and thoughtful memoir ranks with *The Autobiography of Lincoln Steffens*. Steffens' formative experience was in American cities; White's in China. Both, separated by half a century, lead the reader in a search for the meaning of political power and the nature of change.

LEADERSHIP. By James MacGregor Burns. New York: Harper, 1978, 530 pp. $15.00.

A sophisticated integration of humanistic psychology, historical and biographical learning, and deft comparative analysis (U.S., Britain, France, Germany, the Soviet Union, and China). "That people can be lifted *into* their better selves is the secret of transforming leadership and the moral and practical theme of this work."

MAKE-BELIEVE PRESIDENTS: ILLUSIONS OF POWER FROM McKINLEY TO CARTER. By Nicholas von Hoffman. New York: Pantheon, 1978, 256 pp. $8.95.

A gadfly's mixture of flippancy, hyperbole, and conventional historical wisdom masquerading as insight. The argument is that Presidents are not omnipotent emperors but creatures of the interest groups who wield power in America. The author's intent is to combat complacency, but his vehicle is lightweight.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

DECLINE OF THE WEST? GEORGE KENNAN AND HIS CRITICS. Edited by Martin F. Herz. Washington: Ethics and Public Policy Center, Georgetown University, 1978, 172 pp. $5.00 (Paper).

George Kennan's admonitions to the American public and foreign policy establishment, appearing during the past third of a century, have inspired many and infuriated some. This stimulating volume combines selected recent essays by Kennan with commentary by a platoon of Kennan-watchers.

CAREER OF EMPIRE: AMERICA AND IMPERIAL EXPANSION OVER LAND AND SEA. By George Liska. Baltimore: Johns Hopkins, 1978, 360 pp. $17.95.

A continuation of the author's abstruse and difficult analysis of the fundamental characteristics of international relations. This study is broader than the title suggests, being a threefold comparison of the Roman, British and American Empires.

THE DIVIDED LEFT: AMERICAN RADICALISM 1900–1975. By Milton Cantor. New York: Hill & Wang, 1978, 248 pp. $11.95 (Paper, $5.95).

A sympathetic and informative analysis of the factionalism, confusion, and dissipation of energy in left-wing American political movements. The material on the past two decades is particularly good.

ENCYCLOPEDIA OF AMERICAN FOREIGN POLICY. Edited by Alexander DeConde. New York: Scribner's, 1978, 3 vols. $99.00.

An intelligently edited and handsomely produced collection of 95 original essays on broad themes—e.g., colonialism, the domino theory, ethnicity and foreign policy, pacifism, revisionism, the Monroe Doctrine, the Nixon Doctrine, etc. Not a facts-and-figures reference work but a contribution to the history of ideas. Most of the authors are American diplomatic historians.

The Western Hemisphere

Robert D. Crassweller

CANADA'S THIRD OPTION. Edited by S.D. Berkowitz and Robert K. Logan. Toronto: Macmillan, 1978, 282 pp. $8.95 (Paper).

The authors of this symposium agree that Quebec separatism is the symptom of a political, economic and social malaise which afflicts all of Canada. The "third option" is a comprehensive renovation of Canadian life rather than simply unity or division.

G.S.

CUBA: ORDER AND REVOLUTION. By Jorge I. Dominguez. Cambridge: Harvard University Press, 1978, 672 pp. $25.00.

This lengthy analysis of twentieth-century Cuba reflects an admirable striving for evenhandedness. Three principal chronological divisions cover developments from independence to Machado (1902–33); the Batista era (1934–58); and the Castro revolution (1959–). The roles of the social groups, and the economic aspects, agriculture in particular, are well covered. A final chapter describes political culture.

THE RISE AND FALL OF THE PERUVIAN MILITARY RADICALS, 1968–1976. By George D.E. Philip. London: Athlone Press, University of London, 1978, 178 pp. (Atlantic Highlands, N.J.: Humanities Press, distributor, $16.00).

In a short analysis of the Velasco government and its successor, stressing the various views concerning the origins and nature of the left-oriented military and the reasons for their decline, the author concludes that a number of major initiatives were achieved, but that "the problem of participation is the Achilles

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

heel of radical military regimes. . . . No regime can indefinitely reconcile open participation with an enforced and unpopular policy."

SOCIALISM AND POPULISM IN CHILE, 1932–52. By Paul W. Drake. Urbana: University of Illinois Press, 1978, 418 pp. $15.00.

A sympathetic and detailed study of left-wing political movements and parties in Chile. In an epilogue covering 1952–1973, he writes of the rapid process of polarization that erupted drastically in 1973. "By 1973," he says, "the level of social and political mobilization reached by the masses since the 1930s was sufficient to invite extreme oppression but insufficient to prevent it. . . ."

AGGRESSION AND HISTORY: THE CASE OF ECUADOR AND PERU. By Bryce Wood. Ann Arbor (Mich): University Microfilms (for the Institute of Latin American Studies, Columbia University), 1978, 309 pp. $16.75 (Paper).

Combining intricate research and large generalizations with a lapidary's precision, the author recounts the history of the Peruvian-Ecuadoran border disputes and the fighting in the summer of 1941 that resulted in Ecuador's loss of its province of El Oro. The focus is on the perceptions of the two adversaries, with many fascinating glimpses and insights that invoke instant life out of small details long forgotten.

DIPLOMACY AND DEPENDENCY: VENEZUELA, THE UNITED STATES, AND THE AMERICAS. By Sheldon B. Liss. Salisbury (N.C.): Documentary Publications, 1978, 356 pp. $16.95.

The impact of foreign relations and external factors on Venezuelan development is the subject matter, with emphasis on the role of the OAS and the influence of the United States.

ECONOMIC INTEGRATION IN CENTRAL AMERICA. Edited by William R. Cline and Enrique Delgado. Washington: Brookings, 1978, 711 pp. $19.95.

Ushered in by masses of detailed statistics and mathematical calculations, certain conclusions emerge clearly: total net economic benefits of the Central American Common Market have been substantial; the most important were foreign exchange savings and stimulus to investment. Economies of scale and employment effects have also been significant, though less so; structural transformation benefits were minimal.

Western Europe

Fritz Stern

THE GERMAN PROBLEM RECONSIDERED: GERMANY AND THE WORLD ORDER, 1870 TO THE PRESENT. By David Calleo. New York: Cambridge University Press, 1978, 239 pp. $11.95

A skillful and intelligent questioning of current interpretations of the development of modern Germany. The revisionist impulse at times seems to triumph over evidence and plausibility, but the challenge to received opinion is valuable. For example: " . . . Germany's 'aggressiveness' against international order may be explained as plausibly by the nature of that order as by any peculiar characteristics of the Germans. Even Germany's Nazi episode may be seen less as the consequence of some inherent flaw in German civilization, some autonomous national cancer developing according to its own inner rhythm, than of the intense pressures put upon Germany from outside." A book that seeks controversy—and succeeds.

PEOPLE AND POLITICS: THE YEARS 1960–1975. By Willy Brandt. Boston: Little, Brown, 1978, 524 pp. $16.95.

Memoirs and reflections that cover the major events and actors on the world scene over the last 15 years. Brandt emerges as a shrewd and sympathetic

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

statesman as well as an exceptionally gifted observer. A major source for the years of *Ostpolitik* and a clue to his success in promoting Germany's full rehabilitation; well translated and highly readable.

FRAGMENTS OF ISABELLA: A MEMOIR OF AUSCHWITZ. By Isabella Leitner. New York: Crowell, 1978, 120 pp. $7.95.

As a young woman, Isabella Leitner was deported from Hungary to Auschwitz; the Nazis murdered her mother and one sister, but by unimaginable fortitude and will to survive she and her three other sisters dodged death. Her recollections make a sparse and searing book, fragments of remembered feelings and occurrences that evoke perhaps better than most works something unfathomable.

THE AMERICAN OCCUPATION OF GERMANY: RETREAT TO VICTORY. By Edward N. Peterson. Detroit: Wayne State University Press, 1978, 376 pp. $18.95.

U.S. OCCUPATION IN EUROPE AFTER WORLD WAR II. Edited by Hans A. Schmitt. Lawrence: Regents Press of Kansas, 1978, 172 pp. $11.00 (Paper, $6.95).

Author of a well-known book on the limits of Hitler's power, Peterson here contends, on the basis of impressive evidence, that U.S. occupation policies were largely ineffectual and that we succeeded only when we turned power over to the Germans. "M.G. [Military Government] had little influence in assisting German democracy . . ." is one of his principal conclusions, arrived at in part by local studies of the American impact. Schmitt edited a symposium, held in 1976, which discussed, with the help of leading actors of the time, the policies of the U.S. and the U.S.S.R. vis-à-vis defeated Germany. Both works call to mind General Clay's outstanding role and personality and constitute an important and critical contribution to the study of the postwar era.

DIE USA UND DEUTSCHLAND, 1918–1975. By Manfred Knapp and others. Munich: Beck, 1978, 254 pp. DM. 19.80.

A brief survey by four German scholars of many aspects of German-American relations which, since 1917, have had a decisive bearing on world politics. Useful and informative, it is based in most instances on earlier, related monographs by these authors.

UNE COMÉDIE DES ERREURS, 1943–1956. By René Massigli. Paris: Plon, 1978, 540 pp.

A French diplomat who began his service at the end of World War I records his activities from the moment he escaped to London in January 1943 and de Gaulle put him in charge of Free France's foreign affairs to his many years as postwar Ambassador to London. A man of autonomous views, close to but independent of de Gaulle, he argued for a European Confederation under the aegis of a tight Anglo-French entente. His recital of the early postwar years and of the misadventure of the European Defense Community as well as his judgment of persons and policies make this a major source for future historians—and a pleasure to read for anyone.

L'APRÈS-GUERRE: NAISSANCE DE LA FRANCE MODERNE. By Paul-Marie de La Gorce. Paris: Grasset, 1978, 525 pp. Fr. 75.

A well-known French writer reconstructs what he takes to have been the sorry decline from the hopes of Liberation to the internal divisions of the cold war. A partisan of an independent, perhaps Gaullist, France, his evocation of the spirit of French politics and life from 1944 to 1952 is impressive; his bibliography—by its virtual omission of Anglo-American authors—suggests a perhaps symptomatic insularity.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

VISA POUR UN DÉSASTRE. By Yves Laulan. Paris: Presses Universitaires de France, 1978, 192 pp. Fr. 49.

A vigorous tract against the continued marriage between the U.S. and Western Europe. Despite the heavy costs, Europe should build its own defenses, end its present dependence on the U.S., and thus arrive at adulthood. A French economist and public servant, formerly with NATO, expounds views that defenders of the status quo may have to contend with more often in the future.

FRANCE'S RHINELAND DIPLOMACY, 1914–1924. By Walter A. McDougall. Princeton: Princeton University Press, 1978, 420 pp. $25.00.
THE ORIGINS OF THE SECOND WORLD WAR. By Maurice Baumont. New Haven: Yale University Press, 1978, 327 pp. $22.00

These two books, though different, are complementary. McDougall is a young American scholar, experimental and pragmatic in his approach to diplomatic history; he reconstructs French policies, born of perceived weakness, with clarity and sympathy. His is an important monograph, based on new sources. Baumont, a veteran French diplomatic historian, presents a conventional synthesis of European politics in the 1930s. Both books contribute to our understanding of the German problem and the European responses to it.

EUROCOMMUNISM: A NEW KIND OF COMMUNISM? By Annie Kriegel. Stanford: Hoover Institution, 1978, 131 pp. $12.00.
EUROCOMMUNISM: THE ITALIAN CASE. Edited by Austin Ranney and Giovanni Sartori. Washington: American Enterprise Institute, 1978, 196 pp. $10.75 (Paper, $4.75).

A well-known expert and scholar, Annie Kriegel presents a critical analysis of the character of the Communist parties in France, Italy, and Spain, with emphasis on Santiago Carrillo's challenge to present-day Soviet Communism. Most of her work is devoted to the French Communist Party, while Ranney and Sartori have edited the papers of a 1977 symposium dealing with Italy. Participants included Italian Communists pleading the case of the PCI as a democratic party, a view vigorously rebutted by Sartori and by another political scientist, and former Secretary of State, Henry Kissinger. The two volumes complement each other and may mark the high point of the debate over a phenomenon, the very existence of which has never been universally accepted and now seems more dubious than before. Will Euro-Catholicism take its place?

THE EUROPEAN PARLIAMENT AND THE EUROPEAN COMMUNITY. By Valentine Herman and Juliet Lodge. New York: St. Martin's, 1978, 199 pp. $19.95.

Two European political scientists examine in literate prose and at necessary depth the problems and functions of the European Parliament as presently constituted, and its likely enlarged but still narrow functions after popular elections will have given it greater visibility and perhaps legitimacy. A useful contribution.

THE RESURGENCE OF CLASS CONFLICT IN WESTERN EUROPE SINCE 1968. Vol. I: NATIONAL STUDIES. Vol. II: COMPARATIVE ANALYSES. Edited by Colin Crouch and Alessandro Pizzorno. New York: Holmes & Meier, 1978, 2 vols. $33.75 (each).

A team of European social scientists investigated the various facets of increased militancy in the late 1960s. The results are contained in individual essays, which take account of the changes that preceded and were accentuated by the economic crisis of 1973. The first volume deals with the increase in industrial conflicts and the consequences in the major European countries; the second volume takes up the more general problems—*inter alia,* the role of women and immigrants, the changing role of the state and of the politics of the trade unions. A major effort at clarification and analysis.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

A DISTANT MIRROR: THE CALAMITOUS 14TH CENTURY. By Barbara W. Tuchman. New York: Knopf, 1978, 677 pp. $15.95.

Popular history, imaginatively researched, that tells us much of the life and anguish of the fourteenth century, with its wars, social upheavals, and the Black Death. Dramatically written and ably combining narrative with interpretation, the book has already proven its great appeal, though its relation to our own time of troubles is left discreetly implicit.

THE LION'S LAST ROAR: SUEZ, 1956. By Chester L. Cooper. New York: Harper, 1978, 310 pp. $12.95.

An American official stationed at the London Embassy at the time of Suez narrates the dramatic events of that hapless period, with blunt portraits of the leading culprits, including John Foster Dulles. A nice mix of historical reconstruction and autobiographical recollections.

The Soviet Union and Eastern Europe

John C. Campbell

LEON TROTSKY. By Irving Howe. New York: Viking, 1978, 193 pp. $10.00.

Not a biography but a political essay with a narrative foundation, to use the author's own description, this study is of more than ordinary interest. Howe draws a portrait of a revolutionary and thinker of heroic stature and also gives a critical analysis of Trotsky's political outlook in the later years. Acknowledging his debt to Isaac Deutscher's biography, he makes sure his readers know he does not agree with Deutscher on Stalinism.

STALIN EMBATTLED, 1943–1948. By William O. McCagg, Jr. Detroit: Wayne State University Press, 1978, 423 pp. $18.95.

Professor McCagg has undertaken an expedition into the dark recesses of Soviet politics and of Stalin's mind and come up with an extraordinary reappraisal of Stalin's policy toward the West in the crucial years of World War II and its aftermath. He finds the basis for much of his interpretation in domestic developments and in the challenges Stalin faced from his colleagues in the Politburo and from Communist leaders outside the U.S.S.R. Some of it seems far-fetched, but the book deserves careful study by all who think they know something about the subject.

CLASS STRUGGLES IN THE USSR: SECOND PERIOD, 1923–1930. By Charles Bettelheim. New York: Monthly Review Press, 1978, 640 pp.

The second volume of Bettelheim's sweeping history of social and ideological "formation" in the Soviet Union under Lenin and Stalin. The approach, Marxist and tied to concepts of class, may be narrow, but the author's erudition and analysis are impressive. (The first volume, on the 1917–1923 period, was noted in *Foreign Affairs*, April 1977.)

THE SECRET BETRAYAL 1944–47. By Nikolai Tolstoy. New York: Scribner's, 1978, 480 pp. $14.95.

Telling the story, now not so secret, in all its harrowing detail and with undisguised indignation, Count Tolstoy's is the most comprehensive of the recent books on the forced repatriation of Soviet citizens by the Western Allies in 1944–47. He blames British and to a lesser extent American officials for what they agreed to at Yalta and how they carried it out, and reserves his sharpest criticism for Anthony Eden.

SOVIET FOREIGN POLICY: ITS SOCIAL AND ECONOMIC CONDITIONS. Edited by Egbert Jahn. New York: St. Martin's, 1978, 159 pp. $16.95.

Stimulating essays, originally published in German, on the economic basis for Soviet policy, including the need for trade with the West. In each case the

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

interpretation of Soviet theory and practice is colored by the theoretical approach of the author.

THE FUTURE OF THE SOVIET ECONOMY: 1978–1985. Edited by Holland Hunter. Boulder (Colo.): Westview Press, 1978, 177 pp. $16.00.

The Soviet economy is hampered by two sets of constraints, one physical and economic, the other institutional, which give a prospect of very slow growth unless the institutional framework can be reformed. These collected papers dealing with that problem are full of statistical data and sound arguments, although the conclusions, except in the case of Hunter's brief summary, are often hard to dig out.

THE AMERICAN NON-POLICY TOWARDS EASTERN EUROPE 1943–47. By Geir Lundestad. Oslo: Universitetsforlaget, 1978, 652 pp. N. Kr. 89.50.

The fact that the author takes over 600 pages to describe the "non-policy" at least raises a question about the conclusion implied by his title. One might also ask why anyone should write another book on the origins of the cold war, but this one, by the very thoroughness of its coverage country by country and across the board, was well worth the effort. Ponderous, occasionally off base in its interpretation, it is nevertheless a balanced book, neither traditionalist nor revisionist, and very valuable for reference.

FROM STALINISM TO EUROCOMMUNISM. By Ernest Mandel. London: NLB, 1978, 220 pp. (New York: Schocken Books, distributor, $15.00; Paper, $5.95).

TOWARDS AN EAST EUROPEAN MARXISM. By Marc Rakovski. New York: St. Martin's, 1978, 138 pp. $15.95.

LE "NOUVEAU COMMUNISME": ÉTUDES SUR L'EUROCOMMUNISME ET L'EUROPE DE L'EST. Edited by Harish Kapur and Miklos Molnar. Geneva: Institut Universitaire de Hautes Etudes Internationales, 1978, 111 pp.

Further illustrations of the intellectual ferment stirred by the phenomena of Eurocommunism. Mandel, as expected, makes a sharp critique from the Left, with particular reference to the "neo-reformist" strategy of the Eurocommunists, and affirms that the time is ripe for a real socialist revolution in Europe, East and West. Rakovski, "a Marxist who lives and works in Eastern Europe," writes a frank and revealing essay exposing both the orthodox Marxism of the regimes and the reformism of the dissidents. Along the way he deals with the class nature of Soviet-type societies, the theory of convergence, and other points of interest. The studies on "the new communism" are worth reading but brief and disappointing in their failure to go very far in analyzing the interaction between Eurocommunism in the West and revisionism in the East.

MARXIST HUMANISM AND PRAXIS. Edited by Gerson S. Sher. Buffalo (N.Y.): Prometheus, 1978, 183 pp. $14.95.

A selection of outstanding articles from the Yugoslav journal *Praxis*, now suppressed. This is a good companion piece to Sher's recent book on the *Praxis* school of Marxist philosphers (noted in *Foreign Affairs*, April 1978).

POLITICAL OPPOSITION IN POLAND, 1954–1977. By Peter Raina. London: Poets' and Painters' Press, 1978, 584 pp.

A detailed account of intellectual dissidence from the time of the original "thaw." Raina, who knows Poland at first hand, is in full sympathy with the dissidents and dedicates his book to Kuron and Michnik, two of their leaders and symbols.

KATHOLISCHE GRUPPIERUNGEN IN POLEN: PAX UND ZNAK 1945–1976. By Andrzej Micewski. Munich: Kaiser/Mainz: Matthias-Grünewald, 1978, 356 pp. DM. 28.50.

Relations between the Communist regime in Poland and the still-powerful

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

and popular Catholic Church have been marked by a combination of enmity and uneasy practical compromise. The character and role—well described in this book—of the two main Catholic political organizations—Pax, which served the regime, and Znak, which opposed it but within the law—represented alternative reactions to that basic correlation of forces. The author is a member of Znak.

THE UNITED STATES IN PRAGUE, 1945–1948. By Walter Ullmann. New York: Columbia University Press, 1978, 216 pp. $13.00.

Based on the documents now available on the American (but not on the Czechoslovak) side, this critical monograph covers U.S.-Czechoslovak relations from the liberation to the February coup. The author faults both Washington and Ambassador Steinhardt for inadequate understanding of the situation and lack of a long-range policy.

FROM DUBČEK TO CHARTER 77. By Vladimir V. Kusin. New York: St. Martin's, 1978, 353 pp. $18.95.

A worthy sequel to Kusin's books on the reform movement of the 1960s in Czechoslovakia. He covers a decade of repression in all its grimness and also the beginnings of the protest movement which produced "the way of the Charter."

SOCIALIST ALBANIA SINCE 1944. By Peter R. Prifti. Cambridge: MIT Press, 1978, 311 pp. $19.95.

The best general survey available on postwar Albania. Prifti tells us a great deal about the country and the system and gives at least a partial answer to why this small and impoverished country has broken successively with the "revisionist" regimes of Yugoslavia, the Soviet Union, and now China, to become the only true Marxist-Leninist state in all the world.

The Middle East and North Africa

John C. Campbell

THE JEWISH PARADOX. By Nahum Goldmann. New York: Grosset & Dunlap, 1978, 218 pp. $12.95.

The prominent leader of world Zionism, who has scant respect for the policies of Israel, recalls episodes of his long career and conversations with world figures. He calls, as before, for a genuine peace with the Arabs.

PALESTINE: RETREAT FROM THE MANDATE. By Michael J. Cohen. New York: Holmes & Meier, 1978, 237 pp. $23.00.

The dilemmas and contradictions of British policy from the Peel Report and the 1939 White Paper to the advent of the Labour government at the end of World War II. Unpublished British and Zionist documents back up the author's theme of increasing British concern with the pan-Arab dimension of the problem, and of the inevitable turn of the Zionists from Weizmann's to Ben-Gurion's strategy.

JUDEN UND ARABER IN EINEM LAND. By Franz Ansprenger. Munich: Kaiser/Mainz:Grünewald, 1978, 335 pp. DM. 28.50.

With exemplary thoroughness a German scholar traces Jewish-Arab relations in Palestine from 1917 to the present. His preferred solution is a return to the idea of a common state, an Israel in which Jews and Arabs will have parity.

PEACE IN THE MIDDLE EAST. By David Astor and Valerie Yorke. London: Transworld (for the World Security Trust), 1978, 174 pp. £ 1.95 (Paper).

An elaborate set of proposals for peace settlements, in which the main key to security would be the involvement of the U.S. and U.S.S.R. through guarantees,

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

support of international forces and safeguards, and control of future arms supplies. Informed, instructive, at times perhaps unrealistic, the report directs attention to several questions insufficiently probed by governments.

ISRAEL, THE WEST BANK AND INTERNATIONAL LAW. By Allan Gerson. London: Cass, 1978, 285 pp. (Totowa, N.J.: Biblio, distributor, $25.00).

The fate of the West Bank will not be decided on the basis of international law, but this book has the virtue of stating the legal questions and their relation to the interests and policies of the various parties concerned.

EGYPT: BURDENS OF THE PAST, OPTIONS FOR THE FUTURE. By John Waterbury. Bloomington: Indiana University Press, 1978, 318 pp. $19.50 (Paper, $9.95).

A collection of Waterbury's American Universities Field Staff Reports written during his stay in Egypt from 1973 to 1976. They show his profound understanding of Egypt's economic and social problems and of the ways in which the government's choices have been progressively narrowed.

IRAQ: INTERNATIONAL RELATIONS AND NATIONAL DEVELOPMENT. By Edith and E.F. Penrose. Boulder (Colo.): Westview Press, 1978, 569 pp. $28.75.

An excellent historical and descriptive study, drawing heavily on the work of Khadduri, Longrigg and others on the political side and on the authors' own formidable knowledge of economics and the oil industry. Sympathetic to the Iraqi people but coldly realistic about the failings of the political leadership and the inadequacies of economic policy.

THE UNITED ARAB EMIRATES: A MODERN HISTORY. By Mohammad Morsy Abdullah. New York: Barnes & Noble, 1978, 365 pp. $21.50.

Most of this book is about the period before there were United Arab Emirates. Largely a history of Britain and the Trucial States before World War II, it also covers in scantier fashion developments up to the British withdrawal in 1971. The fruit of much research by an Arab scholar and official, it contains a wealth of information.

THE FRENCH STAKE IN ALGERIA, 1945–1962. By Tony Smith. Ithaca: Cornell University Press, 1978, 199 pp. $15.00.

This is less a history of the Algerian war of independence than it is a keen, critical study of the French "consensus" on colonial policy and its link to the great-power status and destiny of France itself. Smith shows how large was de Gaulle's contribution to the national obsession with the maintenance of empire, and how he alone, after years of tragedy, could persuade his fellow citizens to recognize the error.

Asia and the Pacific

Donald S. Zagoria

THE SINO-SOVIET DISPUTE. By Alfred D. Low. Madison (N.J.): Fairleigh Dickinson University Press, 1978, 364 pp. $18.50.

The highest stage of communism may well turn out to be nationalism—a nationalism, moreover, of a particularly virulent form. (Witness the conflicts today between Russia and China, China and Vietnam, Vietnam and Cambodia). Low correctly sees the Sino-Soviet conflict as stemming from rivalry between two imperial powers which have both succumbed to the disease of national chauvinism. Yet he is careful not to belittle the role of ideology. The book is basically a chronological review of the Sino-Soviet polemics and will therefore interest the specialist more than the general reader. But it is one of the few

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

careful analyses of those polemics up through the early 1970s and will be useful to anyone interested in tracing the twists and turns of this crucial relationship.

ISLAND CHINA. By Ralph N. Clough. Cambridge: Harvard University Press (for the Twentieth Century Fund), 1978, 251 pp. $12.50.

The most detailed and balanced account yet of the Taiwan question and how it influences American relations with the People's Republic of China. Clough portrays the choices realistically and comes down on the side of normalization, provided the P.R.C. meets certain conditions. But events may be outpacing scholarship. At a time when U.S.–P.R.C. relations are already improving at a dramatic rate, it will be increasingly difficult to sustain the argument that the U.S. should make substantial concessions to Peking on Taiwan.

CHINA'S OIL FUTURE: A CASE OF MODEST EXPECTATIONS. By Randall W. Hardy. Boulder (Colo.): Westview Press, 1978, 148 pp. $17.00.

The great merit of this study is that it analyzes soberly the many constraints on China's oil development and comes to the conclusion that China is not the potential oil giant that some writers have contended it is. In fact, says Hardy, China in the 1980s could well find itself more in need of development capital from Japan and the U.S. than those two nations are in need of oil from China.

ECONOMIC GROWTH AND DISTRIBUTION IN CHINA. By Nicholas R. Lardy. New York: Cambridge University Press, 1978, 244 pp. $18.95.

A solid study of resource allocation and income distribution in China which concludes that China has achieved both a rapid rate of growth and a relatively equitable distribution of income. But the author's most reliable data refer to the 1950s and 1960s. During the past decade, as he himself suggests, the Chinese growth model may have run into difficulties. Mao's "pro-peasant" policies were highly divisive, and brought about sharp declines in industrial output and strikes and work stoppages, some of which required army intervention to put down. This widespread worker unrest, combined with lagging technological progress, may help explain the switch to a new development strategy by the new leadership. Lardy's book, depicting the old development strategy as a success, does not.

CHINA SINCE MAO. By Charles Bettelheim and Neil G. Burton. New York: Monthly Review Press, 1978, 130 pp. $7.50.

Two Marxist intellectuals, one a French theoretician of some renown and the other a Canadian living and working in China, argue about the significance of the changes that have taken place in China since the death of Mao. The Frenchman sees a betrayal of socialism; the Canadian, albeit sharing some of the misgivings of Bettelheim, sees an attempt "to create the essential conditions under which the masses can continue to educate and to liberate themselves." Although flawed by an overdose of leftist scholasticism, the result is a valuable insight into the changes in both domestic and foreign policy in China.

CAMBODIA YEAR ZERO. By François Ponchaud. New York: Holt, Rinehart and Winston, 1978, 212 pp. $8.95.

The author, who was a French missionary in Cambodia from 1965 until he was forced to flee in 1975, and who was initially sympathetic to the Khmer Rouge, has concluded that "the Khmer revolution is irrefutably the bloodiest of our century." Jean Lacouture, in reviewing the French edition of this book, wrote that "we are now seeing the suicide of a people in the name of revolution; worse: in the name of socialism." Ponchaud's sources are hundreds of refugee accounts and an analysis of the daily broadcasts of the official voice of Kampuchea, Radio Phnom Penh.

THE ARMY AND POLITICS IN INDONESIA. By Harold Crouch. Ithaca: Cornell University Press, 1978, 376 pp. $18.50.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Both in Indonesia and the West, there has been widespread hope that the army-dominated government, which took over when Sukarno's "Guided Democracy" collapsed in 1965, would at last open the way to prosperity and progress. Crouch's book represents one of the most complete accounts to date of why these hopes have not been realized. He portrays a struggle between the "technocrats" pursuing development and the "financial" generals pursuing their own interests and impeding development. Yet he is cautious in his judgments and in his projections. On the one hand, the Suharto government has achieved, between 1967 and 1976, an average growth rate of about seven percent. On the other, the government has so far failed to improve the lot of the mass of people, and popular frustration and discontent continue to spread, while the government shows no signs of being capable of tackling the basic long-term problems of growing unemployment, overpopulation and poverty. Nevertheless, the author ends on a hopeful note. He sees indications that the positions of the dominant group of "financial" generals is becoming increasingly insecure and giving way to those officers who are more inclined to work with civilian technocrats in order to promote economic development and limited reform.

INDIA: EMERGENT POWER? By Stephen P. Cohen and Richard L. Park. New York: Crane, Russak (for the National Strategy Information Center), 1978, 120 pp. (Paper, $4.50).

"More than ever before," the authors say, "India is exhibiting its independence abroad, backed by a large and improving military force, and a growing, advanced industrial economy, within the framework of political stability." The essay stresses the growth of India's international influence and the need for a renewal of the U.S.–Indian dialogue on such conflict-laden issues as nuclear energy, weapons proliferation, and the future organization of the international economic order.

Africa

Jennifer Seymour Whitaker

BLACK POWER IN SOUTH AFRICA. By Gail M. Gerhart. Berkeley: University of California Press, 1978, 375 pp. $14.50.

This long-expected study turns out to be well worth the wait: simply and beautifully written, it chronicles the development of black nationalism in South Africa from the 1940s through the formation of the PAC and the black consciousness movement of Steve Biko. Central focus is on four influential nationalist leaders—Anton Lembede, Asby Peter Mda, Robert Sobukwe and Biko.

AFRICA AND THE UNITED STATES: VITAL INTERESTS. Edited by Jennifer Seymour Whitaker. New York: New York University Press (for the Council on Foreign Relations), 1978, 244 pp. $15.00 (Paper, $6.95).

This is a very useful delineation of U.S. interests throughout Africa, considered in their economic, political, and broad military frameworks. It not only takes Soviet interests and actions into account, but it is also sensitive to African states' own interests, problems and capabilities, although more is needed to have these elements fit the policy analyses. Several chapters will stand on their own as truly important contributions.

Willard P. Johnson

NEOCOLONIALISM AND AFRICA IN THE 1970s. By E.A. Tarabrin and others. Moscow: Progress, 1978, 335 pp. (Chicago: Imported Publications, distributor, $5.00).

SECRET WEAPON IN AFRICA. By Oleg Ignatyev. Moscow: Progress, 1977, 189 pp. (Chicago: Imported Publications, distributor, $3.50).

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Both these Soviet analyses of Africa in international politics focus on Western strategies for controlling that continent. Assessing Western economic penetration, a group of Soviet and Bulgarian social scientists see evolving Western behavior on trade, aid and multinational investment as admirably flexible though ultimately unavailing responses in the face of continuing "changes in the world balance of forces against imperialism." Oleg Ignatyev, a *Pravda* correspondent recounting the history of the Angolan liberation struggle, focuses on CIA aid to the FNLA and UNITA liberation movements, and mentions Cuba only once.

THE NUCLEAR AXIS: SECRET COLLABORATION BETWEEN WEST GERMANY AND SOUTH AFRICA. By Barbara Rogers and Zdenek Cĕrvenka. New York: Times Books, 1978, 488 pp. $12.50.

While convincingly recounting the saga of clandestine nuclear collaboration between West Germany and South Africa (adding new documentation to the previous investigative reporting of *Der Spiegel*), the authors' allegation that the Federal Republic is using the South African link to acquire nuclear weaponry lacks a smoking gun. Added starters include extensive information on West German and South African nuclear links with other "pariah powers"—Israel, Iran and Brazil—as well as on U.S.-South African nuclear cooperation.

AFRICA'S INTERNATIONAL RELATIONS: THE DIPLOMACY OF DEPENDENCY AND CHANGE. By Ali A. Mazrui. Boulder (Colo.): Westview Press, 1978, 300 pp. $23.75.

POLITICAL VALUES AND THE EDUCATED CLASS IN AFRICA. By Ali A. Mazrui. Berkeley: University of California Press, 1978, 406 pp. $18.50.

Gold mingles with dross on Mazrui's picaresque journey through African and Western history, culture and politics. In assaying Africa's international relations, the author ultimately, although haphazardly, returns to an important truth: the power of race and culture in Africa's relations with the West. Discussing African political formation, his overriding theme, not unpredictably, is assimilation—of the entire panoply of world culture, including that of the West.

ECONOMIC DEVELOPMENT IN NAMIBIA. By Wolfgang H. Thomas. Mainz: Matthias-Grünewald, 1978, 368 pp. DM. 38.

Assuming for the purposes of his analysis a high degree of economic and political rationality on the part of any future Namibian government, the author concludes that no matter what the outcome of an election, the incoming regime will have to follow a moderate, vaguely social democratic path. Despite the obviously conditional aspect of his development strategies, the study constitutes a bulging source book of dexterously assimilated information about Namibia—invaluable for scholars and perhaps for the country's future governors.

WEST AFRICAN STATES: FAILURE AND PROMISE. Edited by John Dunn. New York: Cambridge University Press, 1978, 259 pp. $27.50 (Paper, $7.95).

The variety of perspectives informing these essays, running from Marxian class analysis to a liberal capitalist approach, makes comparisons moot. Viewed as individual articles, some are quite good, particularly R. W. Johnson on Guinea and Dunn's modest introduction and concluding remarks on the problems of comparative studies.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Janet Rigney

SOURCE MATERIAL

I. DOCUMENTS

Documents may be procured from the following: *United States:* Gov't Printing Office, Superintendent of Documents, Washington, D.C. 20402. *United Nations, International Court of Justice:* United Nations, Sales Section, New York 10017. *United Nations Educational, Scientific and Cultural Org.* and *Food and Agric. Org.:* Unipub, Inc., P.O. Box 433, New York 10016. *Int. Labor Office:* 917 15th St., N.W., Washington, D.C. 20005. *European Communities:* 2100 M St., N.W., Washington, D.C. 20037. *Organization for Economic Cooperation and Development:* 1750 Pennsylvania Ave., N.W., Washington, D.C. 20006.Washington imprints are Government Printing Office, and congressional documents, unless otherwise noted, are for the 95th Congress. New York imprints are United Nations, unless otherwise noted.

Africa

Perspectives on Mozambique. Hearing, Subcommittee on Africa, Committee on International Relations, House, May 16, 1978. Washington, 1978. 71 pp.

A Rhodesian settlement? Analysis of an agreement signed by Prime Minister Ian Smith of Rhodesia, the Reverend Ndabaningi Sithole, Bishop Abel Muzorewa, and Senator Jeremiah Chirau on March 3, 1978. A staff report to the Committee on Foreign Relations, Senate, June 1978. Washington, 1978. 15 pp. (Com. Print.)

United States-Angolan relations. Hearing, Subcommittee on Africa, Committee on International Relations, House, May 25, 1978. Washington, 1978. 55 pp.

U.S. policy toward Africa. Hearing, Subcommittee on African Affairs, Committee on Foreign Relations, Senate, May 12, 1978. Washington, 1978. 35 pp.

United States policy toward Rhodesia: a report on the new Anglo-American initiative. Hearing, Subcommittee on Africa, Committee on International Relations, House, Sept. 7, 1977. Washington, 1977. 20 pp.

United States policy toward South Africa. Hearing, Subcommittees on Africa and on International Organizations, Committee on International Relations, House, Jan. 31, 1978. Washington, 1978. 21 pp.

United States-South Africa relations: nuclear cooperation. Hearings, Subcommittee on Africa, Committee on International Relations, House, June 30–July 12, 1978. Washington, 1978. 83 pp.

United States-Uganda relations. Hearings, Subcommittees on Africa, International Organizations, and International Economic Policy and Trade, Committee on International Relations, House, Feb. 1–Apr. 26, 1978. Washington, 1978. 343 pp.

Agriculture

Agricultural Foreign Investment Information Act of 1978. Report, Committee on Agriculture, Nutrition, and Forestry, Senate, to accompany S.3384, Aug. 8, 1978. Washington, 1978. 27 pp. (S.Rept. 95-1072.)

Training for agriculture and rural development. Rome, FAO, 1977. 122 pp. (FAO Economic and Social Development Series, 7.)

Asia and the Pacific Ocean

Appearances and activities of leading personalities of the People's Republic of China during 1977: a reference aid. Washington, National Foreign Assessment Center, Central Intelligence Agency, 1978. 590 pp.

China: gross value of industrial output, 1965–77. Washington, National Foreign Assessment Center, Central Intelligence Agency, 1978. 69 pp.

China: the nonferrous metals industry in the 1970s. Washington, National Foreign Assessment Center, Central Intelligence Agency, 1978. 37 pp.

Humanitarian problems of Southeast Asia, 1977–78. A study mission report prepared for the Committee on the Judiciary, Senate, Mar. 1978. Washington, 1978. 322 pp. (Com. Print.)

The Meeting of ASEAN heads of government, Kuala Lumpur, Malaysia, 4th & 5th August, 1977. Kuala Lumpur, Ministry of Foreign Affairs, 1977. 120 pp.

Solomon Islands. London, Reference Division, Central Office of Information, 1978. 37 pp. (R6036/6.)

U.S./Japanese relations. Hearing, Subcommittee on East Asian and Pacific Affairs, Committee on Foreign Relations, Senate, Apr. 27, 1978. Washington, 1978. 41 pp.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

WHITE paper on the conduct of the general elections in March 1977. Rawalpindi, Government of Pakistan, 1978. v.p.

ATOMIC POWER

NUCLEAR fuel export to India. Hearing, Subcommittee on Arms Control, Oceans and International Environment, Committee on Foreign Relations, Senate, May 24, 1978. Washington, 1978. 382 pp.

OVERSIGHT of Soviet nuclear energy development. Report to the Committee on Science and Technology, House, June 1978. Washington, 1978. 66 pp. (Com. Print; Ser. KK.)

PROPOSED export of low-enriched uranium to India. Report, Committee on International Relations, House, to accompany H.Con.Res. 599, June 21, 1978. Washington, 1978. 14 pp. (H.Rept. 95-1314.)

COMMERCIAL POLICY AND TRADE

COMPUTER exports to the Soviet Union. Hearing, Subcommittee on International Economic Policy and Trade, Committee on International Relations, House, June 27, 1977. Washington, 1978. 70 pp.

EXPORT-Import Bank Act amendments of 1978. Report, Committee on Environment and Public Works, Senate, to accompany S.3077, July 26, 1978. Washington, 1978. 12 pp. (S.Rept. 95-1039.)

——. Report, Committee on Banking, Housing, and Urban Affairs, Senate, to accompany S.3077, May 15, 1978. Washington, 1978. 22 pp. (S.Rept. 95-844.)

EXPORT policy. Hearing, Subcommittee on International Finance, Committee on Banking, Housing, and Urban Affairs, Senate, Feb. 23-Apr. 13, 1978. Washington, 1978. Pts. 2, 4, 6 & 7.

EXPORT promotion. Hearings, Subcommittee on Foreign Agricultural Policy, Committee on Agriculture, Nutrition, and Forestry, Senate, on S.2385, S.2405, S.2504, S.2968, S.3011, Apr. 27–28, 1978. Washington, 1978. 235 pp.

EXTENSION of nondiscriminatory treatment to products of Hungary. Report, Committee on Finance, Senate, to accompany H.Con.Res. 555, June 22, 1978. Washington, 1978. 8 pp. (S.Rept. 95-949.)

FISCAL year 1979 authorization of appropriations for the U.S. International Trade Commission. Hearing, Subcommittee on International Trade, Committee on Finance, Senate, Apr. 21, 1978. Washington, 1978. 9 pp.

MOST-favored-nation treatment for Hungary. Hearing, Subcommittee on International Trade, Committee on Finance, Senate, on S.Con.Res. 76, May 9, 1978. Washington, 1978. 75 pp.

MOST-favored-nation treatment with respect to the products of Hungary. Hearing, Subcommittee on Trade, Committee on Ways and Means, House, on H.Con.Res. 555, Apr. 14, 1978. Washington, 1978. 146 pp. (Ser.No. 95-91.)

U.S. merchandise trade: exports and imports—1965–1976; classified by BEA end-use categories. Washington, Bureau of Economic Analysis, U.S. Department of Commerce, 1977. 274 pp.

DISARMAMENT

AN ACT to authorize appropriations under the Arms Control and Disarmament Act for the fiscal year 1979, and for other purposes. Report, Committee on Foreign Relations, Senate, to accompany H.R. 11832, May 15, 1978. Washington, 1978. 56 pp. (S.Rept. 95-843.)

BRIEFINGS on SALT negotiations. Hearings, Committee on Foreign Relations, Senate, Nov. 3–29, 1977. Washington, 1978. 75 pp.

FISCAL year 1979 arms control impact statements. Statements submitted to the Congress by the President, June 1978. Washington, 1978. 268 pp. (Jt. Com. Print.)

PROSPECTS for the Vienna force reduction talks. Report, prepared for the Committee on Foreign Relations, Senate, by the Foreign Affairs and National Defense Division, Congressional Research Service, Library of Congress, Aug. 1978. Washington, 1978. 33 pp. (Com. Print.)

U.N. special session on disarmament. Hearing, Subcommittee on Arms Control, Oceans and International Environment, Committee on Foreign Relations, Senate, Apr. 13, 1978. Washington, 1978. 100 pp.

——. Hearing, Subcommittees on International Security and Scientific Affairs and on International Organizations, Committee on International Relations, House, May 3, 1978. Washington, 1978. 68 pp.

EAST-WEST RELATIONS

THE BELGRADE followup meeting to the Conference on Security and Cooperation in Europe: a report and appraisal, transmitted to the Committee on International Relations, House, by the

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Commission on Security and Cooperation in Europe, May 17, 1978. Washington, 1978. 105 pp. (Com. Print.)

PROFILES: the Helsinki monitors. Washington, Commission on Security and Cooperation in Europe, 1978. n.p.

SOVIET law and the Helsinki monitors. Washington, Commission on Security and Cooperation in Europe, 1978. 50 pp.

EASTERN EUROPE

DIRECTORY of Soviet research organizations. Washington, National Foreign Assessment Center, Central Intelligence Agency, 1978. 290 pp.

A FAVOURABLE interim balance; report by the Central Statistical Office of the GDR on the fulfillment of the 1978 national economic plan in the first half of the year. Berlin, Panorama DDR, 1978. 22 pp. (Documents on the Policy of the German Democratic Republic, 3.)

INTERVIEW granted to the Saarbrücker Zeitung by the General Secretary of the Central Committee of the Socialist Unity Party of Germany and Chairman of the Council of State of the German Democratic Republic, Erich Honecker. Berlin, Panorama DDR, 1978. 15 pp. (Political Documents on the German Democratic Republic, 2.)

ON leaving the Soviet Union: two surveys compared; a statistical analysis of the patterns and procedures in Soviet emigration. Washington, Commission on Security and Cooperation in Europe, 1978. 15 pp.

THE POSITIVE contribution of Greece to the European Community, by Xenophon Zolotas. Athens, Bank of Greece, 1978. 75 pp. (Papers and Lectures, 40.)

THE SOVIET Union: internal dynamics of foreign policy, present and future. Hearings, Subcommittee on Europe and the Middle East, Committee on International Relations, House, Sept. 27–Oct. 26, 1977. Washington, 1978. 333 pp.

FINANCIAL POLICY

AUTHORIZATION for the International Investment Survey Act. Hearing, Committee on Commerce, Science, and Transportation, Senate, on S.2928, Apr. 19, 1978. Washington, 1978. 114 pp. (Ser. No. 95-84.)

EXTENSION and revision of the Overseas Private Investment Corporation programs. Hearings and markup, Subcommittee on International Economic Policy and Trade, Committee on International Relations, House, June 21–Sept. 16, 1977. Washington, 1977. 443 pp.

THE IMBALANCE of international payments from the viewpoint of the OPEC and other developing countries, by John Gunter. Cairo, National Bank of Egypt, 1978. 24 pp. (Commemoration Lectures Programme.)

INTERNATIONAL Banking Act of 1978. Hearing, Subcommittee on Financial Institutions, Committee on Banking, Housing, and Urban Affairs, Senate, on H.R. 10899, June 21, 1978. Washington, 1978, 394 pp.

——. Report, Committee on Banking, Housing, and Urban Affairs, Senate, to accompany H.R. 10899, Aug. 8, 1978. Washington, 1978. 25 pp. (S.Rept. 95-1073.)

INTERNATIONAL Investment Survey Act authorization for fiscal year 1979. Hearing and markup, Subcommittee on International Economic Policy and Trade, Committee on International Relations, House, on H.R.12589, Apr. 25–May 10, 1978. Washington, 1978. 33 pp.

STATUTE of the European Investment Bank and other provisions governing the EIB. Luxembourg, European Investment Bank, 1978. 32 pp.

FOOD AND NUTRITION

ALTERNATIVE Futures for World Food in 1985. Washington, Economics, Statistics, and Cooperatives Service, U.S. Department of Agriculture, 1978.

Vol. 1. World GOL model: analytical report, by Anthony Rojko and others. 137 pp. (Foreign Agricultural Economic Report, 146.) *Vol. 2.* World GOL model: supply-distribution and related tables, by Anthony Rojko and others. 246 pp. (Foreign Agricultural Economic Report, 149.) *Vol. 3.* World GOL model: structure and equations, by Anthony Rojko and others. 96 pp. (Foreign Agricultural Economic Report, 151.)

DATA and materials relating to the International Sugar Agreement and sugar legislation, 1978. Subcommittee on Trade, Committee on Ways and Means, House, June 13, 1978. Washington, 1978. 37 pp. (WMCP:95-82.)

INTERNATIONAL North Pacific Fisheries Convention. Hearing, Committee on Commerce, Science, and Transportation, Senate, May 10, 1978. Washington, 1978. 31 pp. (Ser. No. 95-93.)

THE 1978 United States-Canadian Reciprocal Fisheries Agreement. Jt. report, Committees on

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Foreign Relations and Commerce, Science, and Transportation, Senate, to accompany H.R.12571, June 26, 1978. Washington, 1978. 32 pp. (S.Rept. 95-955.)

RECIPROCAL Fisheries Agreement for 1978 between the United States and Canada. Hearing, Committee on Commerce, Science, and Transportation, Senate, May 10, 1978. Washington, 1978. 28 pp. (Ser. No. 95-79.)

SUGAR Stabilization Act of 1978. Report, Committee on Agriculture, House, to accompany H.R. 13750, Aug. 11, 1978. Washington, 1978. 2 pts. (H.Rept. 95-1484.)

FOREIGN AID AND UNDERDEVELOPED AREAS

FOREIGN Assistance and Related Programs Appropriation Bill, 1979. Report, Committee on Appropriations, House, to accompany H.R. 12931, June 1, 1978. Washington, 1978. 80 pp. (H.Rept. 95-1250.)

INTERNATIONAL Development and Food Assistance Act of 1978. Conference report, Committee of Conference, House, to accompany H.R. 12222, Sept. 7, 1978. Washington, 1978. 47 pp. (H. Rept. 95-1545.)

INTERNATIONAL development assistance authorization and S. Res. 118. Hearings, Subcommittee on Foreign Assistance, Committee on Foreign Relations, Senate, Mar. 2–Apr. 28, 1978. Washington, 1978. 1179 pp.

PEACE Corps Act amendments of 1978. Conference report, Committee of Conference, House, to accompany H.R. 11877, June 29, 1978. Washington, 1978. 5 pp. (H.Rept.95-1333.)

TOWARD a more responsive aid policy for Africa. Hearing, Subcommittee on Africa, Committee on International Relations, House, Oct. 5, 1977. Washington, 1978. 24 pp.

U.S. participation in multilateral development institutions. Hearings, Subcommittee on International Development Institutions and Finance, Committee on Banking, Finance, and Urban Affairs, House, Feb. 28–May 18, 1978. Washington, 1978. 647 pp.

WORLD development report 1978. Washington, The World Bank, 1978. 121 pp. $4.95.

HUMAN RIGHTS

CONDEMNING violations of human rights by the government of Uganda. Report, Committee on International Relations, House, to accompany H.Con.Res. 612, May 31, 1978. Washington, 1978. 10 pp. (H.Rept. 95-1233.)

HUMAN rights and United States foreign policy: a review of the administration's record. Hearing, Subcommittee on International Organizations, Committee on International Relations, House, Oct. 25, 1977. Washington, 1978. 74 pp.

HUMAN rights conditions in selected countries and the U.S. response. Prepared for the Subcommittee on International Organizations, Committee on International Relations, House, by the Foreign Affairs and National Defense Division, Congressional Research Service, Library of Congress, July 25, 1978. Washington, 1978. 372 pp. (Com. Print.)

HUMAN rights in the Dominican Republic: the 1978 presidential elections. Hearing, Subcommittee on International Organizations, Committee on International Relations, House, May 23, 1978. Washington, 1978. 27 pp.

HUMAN rights in the Philippines: recent developments. Hearing, Subcommittee on International Organizations, Committee on International Relations, House, Apr. 27, 1978. Washington, 1978. 28 pp.

REPORT on the situation of human rights in Paraguay. Washington, Inter-American Commission on Human Rights, 1978. 89 pp.

REPORT on the situation of human rights in Uruguay. Washington, Inter-American Commission on Human Rights, 1978. 70 pp.

RESOLUTIONS to investigate Steve Biko's death and to condemn the government of South Africa for massive violations of the civil liberties of the people of South Africa. Hearing, Subcommittee on Africa, Committee on International Relations, House, on H.Res. 809 and H.Con.Res. 398, Oct. 26, 1977. Washington, 1978. 50 pp.

WHITE paper on the human rights situation in Germany and of the Germans in Eastern Europe. Bonn, CDU/CSU Group in the German Bundestag, 1977. 114 pp.

INTERNATIONAL LAW AND DIPLOMACY

COMBATING international and domestic terrorism. Hearing, Committee on Foreign Relations, Senate, on S.2236, June 8, 1978. Washington, 1978. 119 pp.

——. Hearings, Committee on Governmental Affairs, Senate, on S.2236, Jan. 23–Mar. 23, 1978. Washington, 1978. 1190 pp.

——. Report, Committees on Foreign Relations and Commerce, Science, and Transportation, Senate, to accompany S.2236, July 10, 1978. Washington, 1978. 35 pp. (S.Rept. 95-970.)

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

——. Report, Select Committee on Intelligence, Senate, to accompany S.2236, Aug. 9, 1978. Washington, 1978. 27 pp. (S.Rept. 95-1079.)

DIPLOMATIC Relations Act. Report, Committee on Foreign Relations, Senate, to accompany H.R. 7819, June 26, 1978. Washington, 1978. 11 pp. (S.Rept. 95-958.)

——. Report, Committee on the Judiciary, Senate, to accompany H.R. 7819, Aug. 11, 1978. Washington, 1978. (S.Rept. 95-1108.)

INTERNATIONAL Maritime Satellite Act. Hearing, Subcommittee on Communications, Committee on Interstate and Foreign Commerce, House, on H.R. 11209, Apr. 4, 1978. Washington, 1978. 130 pp. (Ser. No. 95-101.)

LAW of the Sea. Hearing, Subcommittee on Arms Control, Oceans and International Environment, Committee on Foreign Relations, Senate, June 16, 1978. Washington, 1978. 100 pp.

LAW of the Sea Conference status report: summer 1978. Hearing, Committee on International Relations, House, May 24, 1978. Washington, 1978. 61 pp.

THE THIRD U.N. Law of the Sea Conference. Study prepared for the use of the Committee on Commerce, Science, and Transportation and the National Ocean Policy Study, Senate, June 1978. Washington, 1978. 121 pp. (Com. Print.)

MIDDLE EAST

CRITICAL factors affecting Saudi Arabia's oil decisions. Report to the Congress by the Comptroller General of the United States. Washington, U.S. General Accounting Office, 1978. 68 pp. $1.00.

STUDY mission to Turkey and Greece—March 1978. A report by Sen. Jacob Javits, to the Committee on Foreign Relations, Senate, June 1978. Washington, 1978. 11 pp. (Com. Print.)

MILITARY POLICY

A DOLLAR cost comparison of Soviet and US defense activities, 1967–77. Washington, National Foreign Assessment Center, Central Intelligence Agency, 1978. 13 pp.

INTERNATIONAL Security Assistance Act of 1978. Conference report, Committee of Conference, House, to accompany S.3075, Sept. 7, 1978. Washington, 1978. 46 pp. (H.Rept. 95-1546.)

MEASURES and trends US and USSR strategic force effectiveness: interim report for period May 1977–March 1978, by Herbert Hoppe and others. Alexandria, Va., Santa Fe Corporation (for the Defense Nuclear Agency), 1978. 106 pp.

THE MILITARY aspects of banning arms aid to Turkey. Hearing, Committee on Armed Services, Senate, June 28, 1978. Washington, 1978. 104 pp.

MILITARY sales—an increasing U.S. role in Africa. Washington, U.S. General Accounting Office, 1978. 35 pp. $1.00.

NATIONAL Security Affairs Monographs. Washington, National Defense University, 1978.

78-1. Crisis decision setting and response: the Hungarian Revolution, by Ernest A. Nagy. 32 pp. *78-2.* SALT Two ratification issues, by Joel M. McKean. 26 pp. *78-3.* Soviet naval strategy for the eighties, by Steve F. Kime. 25 pp. *78-4.* Strategic nuclear parity and NATO defense doctrine, by Raymond E. Burrell. 35 pp.

PLANNING U.S. strategic nuclear forces for the 1980s, prepared by the Congressional Budget Office. Washington, 1978. 52 pp.

PROSPECTIVE sale of airborne warning and control system (AWACS) aircraft to Iran. Hearings, Subcommittee on International Security and Scientific Affairs and on Europe and the Middle East, Committee on International Relations, House, June 29–July 21, 1977. Washington, 1977. 118 pp.

REPORT to the Secretary of Defense on the national military structure. Washington, Department of Defense, 1978. 79 pp.

RETALIATORY issues for the U.S. strategic nuclear forces, prepared by the Congressional Budget Office. Washington, 1978. 65 pp.

WORLD military expenditures and arms transfers, 1967–1976. Washington, U.S. Arms Control and Disarmament Agency, 1978. 168 pp.

RAW MATERIALS AND ENERGY RESOURCES

TO AUTHORIZE a contribution by the United States to the tin buffer stock established under the Fifth International Tin Agreement. Hearing, Subcommittee on Economic Stabilization, Committee on Banking, Finance and Urban Affairs, House, on H.R. 9486, May 11, 1978. Washington, 1978. 178 pp.

——. Hearings on H.R. 9486, Seapower and Strategic and Critical Materials Subcommittee, Committee on Armed Services, House, May 15, 1978. Washington, 1978. 59 pp. (H.A.S.C. 95-68.)

EXPLANATION of Ways and Means Committee amendment to H.R. 3350 (Deep Seabed Hard Mineral Resources Act). Committee on Ways and Means, House, June 7, 1978. Washington, 1978. 18 pp. (WMCP: 95-85.)

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

EXPLOITATION of Antarctic resources. Hearing, Subcommittee on Arms Control, Oceans, and International Environment, Committee on Foreign Relations, Senate, Feb. 6, 1978. Washington, 1978. 245 pp.

STEEL: background data on the American steel industry and international steel trade. Subcommittee on Trade, Committee on Ways and Means, House, May 16, 1978. Washington, 1978. 23 pp. (WMCP: 95-83.)

TECHNICAL analysis of the international oil market, prepared by Petroleum Economics Limited for U.S. Department of Energy. Washington, 1978. 256 pp. (HCP/H60878-01.)

UNITED NATIONS

DIRECTORY of United Nations information systems and services. Geneva, Inter-Organization Board for Information Systems, 1978. 267 pp.

UNITED STATES

AUTHORIZING appropriations for fiscal year 1979 for military procurement, research and development, active duty, selected reserve, and civilian personnel strengths, civil defense, and for other purposes. Report, Committee on Armed Services, Senate, to accompany S.2571, May 15, 1978. Washington, 1978. 158 pp. (S.Rept. 95-826.)

DEPARTMENT of Defense Appropriation Authorization Act, 1979. Conference report, Committee of Conference, House, to accompany H.R. 10929, July 31, 1978. Washington, 1978. 58 pp. (H.Rept. 95-1402.)

DEPARTMENT of Defense Appropriation Bill, 1979. Report, Committee on Appropriations, House, to accompany H.R. 13635, June 27, 1978. Washington, 1978. 446 pp. (H.Rept. 95-1398.)

DEPARTMENT of Defense appropriations for fiscal year 1979. Hearings, Subcommittee of the Committee on Appropriations, Senate, Feb. 27–Mar. 23, 1978. Washington, 1978. Pts. 1–5.

——. Hearings, Subcommittee of the Committee on Appropriations, House, Mar. 21–Apr. 5, 1978. Washington, 1978. Pts. 7–8.

DEPARTMENT of Defense authorization for appropriations for fiscal year 1979. Hearings, Committee on Armed Services, Senate, on S.2571, Feb. 28–May 8, 1978. Washington, 1978. Pts. 7–11.

——. Hearings on military posture and H.R. 10929 before the Committee on Armed Services, House, Jan. 25–Apr. 18, 1978. Washington, 1978. 7 pts. (H.A.S.C. No. 95-56.)

DEPARTMENTS of State, Justice, and Commerce, the Judiciary, and Related Agencies Appropriation Bill, fiscal year 1979. Report, Committee on Appropriations, House, to accompany H.R. 12934, June 1, 1978. Washington, 1978. 86 pp. (H.Rept. 95-1253.)

DEPARTMENTS of State, Justice, and Commerce, the Judiciary, and related agencies appropriations for 1979. Hearings, Subcommittee of the Committee on Appropriations, House, Mar. 6–Apr. 7, 1978. Washington, 1978. Pts. 5 & 8.

FOREIGN ownership of U.S. farmland—much concern, little data. Report by the Comptroller General of the United States. Washington, U.S. General Accounting Office, 1978. 65 pp. $1.00.

FOREIGN Relations Authorization Act, fiscal year 1979. Conference report, Committee of Conference, House, to accompany H.R. 12598, Sept. 6, 1978. Washington, 1978. 66 pp. (H. Rept. 95-1535.)

INTERNATIONAL issues of mutual concern; Washington: 1977. Report of the twelfth meeting of members of Congress and of the European Parliament, Nov. 2–3, 1977, pursuant to H.Res. 313, June 30, 1978. Washington, 1978. 54 pp. (Com. Print.)

INTERPARLIAMENTARY Union Conference. Report of the United States Delegation to the spring meeting of the Interparliamentary Union held at Lisbon, Portugal, Mar. 27–Apr. 1, 1978. Washington, 1978. 48 pp.

NATIONAL Academy of Peace and Conflict Resolution. Hearings, Subcommittee on International Operations, Committee on International Relations, House, Jan. 24–25, 1978. Washington, 1978. 359 pp.

SCIENCE, technology, and American diplomacy. Hearing, Subcommittee on International Operations, Committee on International Relations, House, on H.R. 11548, Apr. 19, 1978. Washington, 1978. 128 pp.

U.S. foreign relations and multinational corporations: what's the connection? Report to the Congress by the Comptroller General, Aug. 23, 1978. Washington, U.S. General Accounting Office, 1978. 77 pp. (PAD-78-58.)

WESTERN EUROPE

AKTEN zur deutschen auswärtigen Politik, 1918–1945. Serie C: 1933–1936. Das Dritte Reich: die ersten Jahre. Band V: 5. März bis 31. Oktober 1936. Göttingen, Vandenhoeck & Ruprecht, 1977. 2

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

vols. DM.84.00.

COOPERATION agreements between the Nordic Countries: a compilation of some of the basic cooperation agreements between Denmark, Finland, Iceland, Norway and Sweden. Stockholm, Nordic Council, 2d rev. ed., 1978. 109 pp.

TEXTE zur Deutschlandpolitik. Reihe II, Band 4: 11. Januar 1976 - 27. Februar 1977. Bonn, Bundesministerium für innerdeutsche Beziehungen, 1978. 465 pp.

WEST European communist parties in 1977: an analysis and chronology of developments, by Stanley R. Sloan. Washington, Congressional Research Service, Library of Congress, 1978. v.p.

WESTERN HEMISPHERE

THE CANADIAN economy and its relationship to the United States. Report, Committee on Banking, Finance and Urban Affairs, House, Aug. 1978. Washington, 1978. 29 pp. (Com. Print.)

THE CONSTITUTIONAL role of the Congress in the disposal of U.S. property in the Canal Zone. Report, Subcommittee on Panama Canal, Committee on Merchant Marine and Fisheries, House, Apr. 17, 1978. Washington, 1978. 19 pp. (Com. Print No. 95-D.)

IMPACT of Cuban-Soviet ties in the Western Hemisphere. Hearings, Subcommittee on Inter-American Affairs, Committee on International Relations, House, Mar. 14-Apr. 12, 1978. Washington, 1978. 199 pp.

NINETEENTH meeting of the Canada-United States Interparliamentary Group, Feb. 9-13, 1978. Report by Sen. William D. Hathaway, Chairman of the Senate Delegation, pursuant to Public Law 42, 86th Congress, May 1978. Washington, 1978. 23 pp. (Com. Print.)

II. OTHER PUBLICATIONS

ACCESS DENIED: THE POLITICS OF PRESS CENSORSHIP, by Sean Kelly. Beverly Hills, Ca., Sage Publications (for the Center for Strategic and International Studies, Georgetown University), 1978. 80 pp. (The Washington Papers, 55.) $3.00.

ACIS RESEARCH NOTES. Los Angeles, Center for Arms Control and International Security, University of California, 1978.
4. Sadat's initiative and Israel's response: the strategy of peace and the strategy of strategy, by Shlomo Aronson. 15 pp.

ACIS WORKING PAPERS. Los Angeles, Center for Arms Control and International Security, University of California, 1978.
12. The proliferation of land-based technologies: implications for local military balances, by Steven J. Rosen. 35 pp. *13.* British defense: policy and process, by Arthur Cyr. 35 pp. *14.* Deterrence theory revisited, by Robert Jervis. 72 pp.

ADELPHI PAPERS. London, The International Institute for Strategic Studies, 1978. $2.50 each.
144. New conventional weapons and East-West security. Pt. I. 50 pp. *145.* New conventional weapons and East-West security. Pt. II. 43 pp. *146.* The future of arms control. Pt. II: Arms control and technological change: elements of a new approach, by Christoph Bertram. 31 pp.

AEI DEFENSE REVIEW. Washington, American Enterprise Institute for Public Policy Research, 1978. $1.50 each.
Vol. 2. No. 3. Realities of Soviet power: two views, by Les Aspin and Jack F. Kemp. 36 pp. *No. 4.* SALT II: an obligation or an option? by J. William Fulbright and Maxwell D. Taylor. 23 pp.

AEI STUDIES. Washington, American Enterprise Institute for Public Policy Research, 1978.
198. Ireland at the polls: the Dáil elections of 1977, ed. by Howard R. Penniman. 199 pp. $4.75.
202. India at the polls: the parliamentary elections of 1977, by Myron Weiner. 150 pp. $3.75.

AGRICULTURAL MECHANIZATION IN CHINA: THE ADMINISTRATIVE IMPACT, by Steven Butler. N.Y., The East Asian Institute, Columbia University, 1978. 58 pp. (Occasional Paper.)

AMERICA FOR SALE, by Kenneth C. Crowe. Garden City, N.Y., Doubleday, 1978. 297 pp. $10.00.

ARBEITEN AUS DER ABTEILUNG ENTWICKLUNGSLÄNDERFORSCHUNG. Bonn, Forschungsinstitut der Friedrich-Ebert-Stiftung, 1978.
62. Dritte Welt: Handlungsanleitungen—zur Kritik westlicher Modernisierungsvorstellungen, by Klaus Mäding. 43 pp. *63.* Kolumbien: Aspekte der Wirtschafts- und Sozialpolitik, by Claus Jürgen Hachmann. 41 pp. *64.* Rohstoff Kupfer: Strukturen und Trends bei Angebot und Nachfrage, by Manfred Rumberger and Eberhard Wettig. 57 pp. *65.* Brasilien: Streik—systemgefährdendes Mittel der Lohnpolitik. 41 pp.

ARMS ACROSS THE SEA, by Philip J. Farley and others. Washington, The Brookings Institution, 1978. 134 pp. $7.95.

THE AUSTRALIA AND NEW ZEALAND NEXUS, by Alan and Robin Burnett. Canberra, Australian Institute of International Affairs, 1978. 288 pp.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

THE BEHAVIOR OF FOREIGN EXCHANGE MARKETS—A CRITICAL SURVEY OF THE EMPIRICAL LITERATURE, by Steven W. Kohlhagen. N.Y., Salomon Brothers Center for the Study of Financial Institutions, Graduate School of Business Administration, New York University, 1978. 54 pp. (Monograph Series in Finance and Economics, 1978-3.)

BEHIND THE HEADLINES. Toronto, Canadian Institute of International Affairs, 1978. 75¢ each.
Vol. XXXVI. No. 5. Science, technology, and Trudeau's foreign policy, by Jocelyn Maynard Ghent. 16 pp. *No. 6.* The commodities question: towards a common fund—rhetoric or reality? by E. Hugh Roach. 27 pp.

BERICHTE. Cologne, Bundesinstitut für Ostwissenschaftliche und Internationale Studien, 1978.
8. Halbzeitbilanz des 10. Planjahrfünfts: Wachstumsgrenzen der sowjetischen Wirtschaft werden enger, by Hans-Hermann Höhmann and Gertraud Seidenstecher. 44 pp. *9.* Akzente der sowjetischen Unionsverfassung von 1977, by Klaus Westen. 43 pp. *10.* Von der Massenpartei zur Staatspartei. Teil I: Der vergebliche Weg zu einem "tschechoslowakischen" Kommunismus, by Heinrich Kuhn. 83 pp. *11.* Von der Massenpartei zur Staatspartei. Teil II: Die Bolschewisierung der kommunistischen Partei, by Heinrich Kuhn. 95 pp. *12.* Von der Massenpartei zur Staatspartei. Teil III: Von der Illegalität zur Staatspartei, by Heinrich Kuhn. 67 pp. *14.* Sowjetische Politik heute: Probleme und Alternativen, by H. Brahm and others. 28 pp. *15.* Die Warschauer-Pakt-Staaten auf der Belgrader Folgekonferenz, by Gerhard Wettig. 45 pp. *16.* Über den Vorrang der Produktionsmittelerzeugung in der sowjetischen Strukturpolitik, by Hans-Jürgen Wagener. 73 pp. *17.* Deutsche Zeitschrift für Philosophie: Schwerpunkte und Tendenzen, by Joachim Sternkopf. 63 pp. *18.* Die sicherheitspolitischen Auseinandersetzungen auf der KSZE-Folgekonferenz, by Gerhard Wettig. 22 pp. *19.* Die Sowjetunion und SALT II: zur 4. Konsultationsrunde Vance-Gromyko Ende April 1978 in Moskau, by Christian Meier. 26 pp. *20.* Das Problem des Transits nach West-Berlin, by Gerhard Wettig. 40 pp. *21.* Sozialproduktvergleich zwischen der Bundesrepublik Deutschland und der DDR, by Herbert Wilkens. 66 pp. *22.* Politische Konsequenzen und Möglichkeiten der Seerechtsentwicklung aus der Sicht der UdSSR (III), by Elmar Rauch, 80 pp. *23.* Des Kremls Weg zum Khyberpass, by Gerd Linde. 26 pp. *24.* Die sowjetischen Dissidenten: Strömungen und Ziele, by Heinz Brahm. 48 pp.

BRITAIN AND LATIN AMERICA: AN ANNUAL REVIEW OF BRITISH-LATIN AMERICAN RELATIONS, 1978. London, The Latin America Bureau, 1978. 135 pp. $4.50.

BRITAIN AND THE ORIGINS OF EUROPEAN UNITY 1940–1951, by Avi Shlaim. Reading, The Graduate School of Contemporary European Studies, University of Reading, 1978. 142 pp. £2.00.

BRITISH FOREIGN POLICY TO 1985. London, The Royal Institute of International Affairs, 1978.
Food and agricultural policy, by Asher Winegarten and John Malcolm. 53 pp. £2.50. Arms production in the United Kingdom: problems and prospects, by Lawrence Freedman. 50 pp. £4.95.

BY FIRE AND AXE: THE COMMUNIST PARTY AND THE CIVIL WAR IN GREECE, 1944–1949, by Evangelos Averoff-Tossizza. New Rochelle, N.Y., Caratzas Brothers, 1978. 438 pp.

CHINA: THE IMPACT OF THE CULTURAL REVOLUTION, ed. by Bill Brugger. N.Y., Barnes & Noble, 1978. 300 pp.

CHINA'S ECONOMY: A BASIC GUIDE, by Christopher Howe. N.Y., Basic Books, 1978. 248 pp. $16.00.

CHINA'S STRUGGLE WITH RED PERIL, by Chu Wen-lin and others. Taipei, Asian Peoples' Anti-Communist League, 1978. 349 pp. $3.50.

COLLECTION "CONFÉRENCES." Geneva, Institut Universitaire de Hautes Études Internationales, 1977.
14. East-West relations, by Janez Stanovnik. 19 pp. *15.* Deux types de grands hommes: le Général de Gaulle et Jean Monnet. 24 pp.

CONSUMER BEHAVIOR IN LATIN AMERICA: INCOME AND SPENDING OF FAMILIES IN TEN ANDEAN CITIES, by Philip Musgrove. Washington, The Brookings Institution, 1978. 365 pp. (An ECIEL Study.) $16.95.

CONTROL OF SEA RESOURCES BY SEMI-AUTONOMOUS STATES: PREVAILING LEGAL RELATIONSHIPS BETWEEN METROPOLITAN GOVERNMENTS AND THEIR OVERSEAS COMMONWEALTHS, ASSOCIATED STATES, AND SELF-GOVERNING DEPENDENCIES, by Thomas M. Franck. Washington, Carnegie Endowment for International Peace, 1978. 37 pp. $1.75.

A DEBATE ON A TIME TO CHOOSE: A CRITIQUE, by William Tavoulareas; A REPLY, by Carl Kaysen. Cambridge, Mass., Ballinger Publishing Co., 1977. 107 pp.

DEMOCRACY IN EGYPT: PROBLEMS AND PROSPECTS, ed. by Ali E. Hillal Dessouki. Cairo, The American University, 1978. 90 pp. (The Cairo Papers in Social Science, 2.)

DEVELOPMENT PAPERS. Washington, Overseas Development Council, 1978. $1.50 each.
25. Negotiations on two fronts: manufactures and commodities, by Guy F. Erb. 72 pp. *26.* Debt and the developing countries: new problems and new actors, by Paul M. Watson. 82 pp.

THE DIPLOMACY OF JAPAN, 1894–1922. VOL. II: ANGLO-JAPANESE ALLIANCE AND RUSSO-JAPANESE WAR, by Morinosuke Kajima. Tokyo, Kajima Institute of International Peace, 1978. 523 pp.

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

$35.00.

DISARMAMENT AND THE U.N.: STRATEGY FOR THE UNITED STATES, by Lincoln P. Bloomfield and Harlan Cleveland. Princeton, Aspen Institute for Humanistic Studies, 1978. 47 pp. (A Policy Paper.) $1.50.

EASTERN EUROPE, by David Turnock. Boulder, Colo., Westview Press, 1978. 273 pp. (Studies in Industrial Geography.)

EMERGENCE OF A NEW NATION IN A MULTI-POLAR WORLD: BANGLADESH, by Mizanur Rahman. Washington, University Press of America (for the Center for International Studies, North Carolina Central University), 1978. 189 pp.

THE EMERGING STRATEGIC ENVIRONMENT: IMPLICATIONS FOR BALLISTIC MISSILE DEFENSE; SUMMARY OF A CONFERENCE HELD IN WASHINGTON, D.C., MARCH 8–9, 1978. Cambridge, Institute for Foreign Policy Analysis, 1978. 23 pp.

ESSAYS IN INTERNATIONAL FINANCE. Princeton, International Finance Section, Department of Economics, Princeton University, 1978. $1.50 each.
128. International money and the future of the SDR, by K. Alec Chrystal. 34 pp. *129.* Government and international trade, by Charles P. Kindleberger. 24 pp.

EUROKOMMUNISMUS IM WIDERSPRUCH: ANALYSE UND DOKUMENTATION, ed. by Manfred Steinkühler. Cologne, Verlag Wissenschaft und Politik, 1977. 394 pp. DM.42.00.

EVOLUTION OF THE AMERICAN MILITARY ESTABLISHMENT SINCE WORLD WAR II, ed. by Paul R. Schratz. Lexington, Va., George C. Marshall Research Foundation, 1978. 125 pp.

EXPORT SUBSIDIES BY DEVELOPING COUNTRIES: ISSUES OF POLICY, by Bela Balassa and Michael Sharpston. Leiden, A. W. Sijthoff (for the Graduate Institute of International Studies, Geneva, and the Trade Policy Research Centre, London), 1977. 63 pp. (Commercial Policy Issues, 2.)

FLEXIBLE EXCHANGE RATES AND INTERNATIONAL TRADE: SWISS FOREIGN TRADE IN A CHANGING MONETARY ENVIRONMENT (1968–1975), by Josef Hunkeler. Berne, Peter Lang (for the Institut Universitaire de Hautes Études Internationales, Université de Genève), 1978. 133 pp. (Thèse No. 299.)

FNS ROLLE I VERDENSPOLITIKKEN, by Ole Ålgård. Bergen, A. S. John Grieg (for the Chr. Michelsens Institutt), 1978. 10 pp. (Beretninger XLI, 2.)

FRANCE'S VIETNAM POLICY: A STUDY IN FRENCH-AMERICAN RELATIONS, by Marianna P. Sullivan. Westport, Conn., Greenwood Press, 1978. 165 pp. (Contributions in Political Science, 12.) $15.95.

THE GATT NEGOTIATIONS 1973–79: THE CLOSING STAGE, by Sidney Golt, and A POLICY STATEMENT, by the British-North American Committee. Washington, British-North American Committee, 1978. 52 pp. $3.00.

THE GLOBAL ECONOMIC CHALLENGE. VOL. I: TRADE COMMODITIES, CAPITAL FLOWS. N.Y., United Nations Association of the United States of America, 1978. 62 pp. $3.00.

GROWTH, DISTRIBUTION, AND SOCIAL CHANGE: ESSAYS ON THE ECONOMY OF THE REPUBLIC OF CHINA, ed. by Yuan-li Wu and Kung-chia Yeh. Baltimore, School of Law, University of Maryland, 1978. 227 pp. (Occasional Papers/Reprints Series in Contemporary Asian Studies, No. 3, 1978.) $3.00.

HEADLINE SERIES. N.Y., Foreign Policy Association, 1978. $1.40. each.
240. Conflict in Southern Africa, by Jennifer Seymour Whitaker. 96 pp.

'HUMAN RIGHTS' AND AMERICAN FOREIGN POLICY, by Noam Chomsky. Boston, Carrier Pigeon, 1978. 90 pp. $4.50.

HUMAN RIGHTS: THEIR ORIGIN, VALIDITY AND IMPLEMENTATION, by A. C. Partridge. Braamfontein, The South African Institute of International Affairs, 1978. 14 pp. (Occasional Paper.)

THE HUNGARIAN REVOLUTION OF 1956 IN RETROSPECT, ed. by Béla K. Király and Paul Jónás. N.Y., Columbia University Press (for the East European Quarterly, Boulder), 1978. 157 pp. (Brooklyn College Studies on Society in Change, 6.)

IDEALS AND REALITY: AN ANALYSIS OF THE DEBATE OVER VIETNAM, by Stephen A. Garrett. Washington, University Press of America, 1978. 243 pp. $9.50.

IMAGE DU TIERS MONDE ET CONCEPTIONS DU DÉVELOPPEMENT: UNE ÉTUDE DES DOCUMENTS DES ORGANISATIONS SUISSES DE COOPÉRATION AU DÉVELOPPEMENT, by Gilbert Rist. Saint-Saphorin, Éditions Georgi (for the Institut Universitaire de Hautes Études Internationales, Université de Genève), 1978. 421 pp. (Thèse No. 294.)

THE IMPERIALIST REVOLUTIONARIES: TRENDS IN WORLD COMMUNISM IN THE 1960s AND 1970s, by Hugh Seton-Watson. Stanford, Ca., Hoover Institution Press, 1978. 157 pp.

IN A MOMENT OF ENTHUSIASM: POLITICAL POWER AND THE SECOND STRATUM IN EGYPT, by Leonard Binder. Chicago, University of Chicago Press, 1978. 437 pp. $22.50.

INDIA: EMERGENT POWER? by Stephen P. Cohen and Richard L. Park. N.Y., Crane, Russak & Co. (for the National Strategy Information Center), 1978. 95 pp. (Strategy Papers, 33.) $4.50.

INDUSTRIALIZATION IN COLOMBIA: POLICIES, PATTERNS, PERSPECTIVES, by Jan Peter Wogart. Tübingen, J. C. B. Mohr (for the Institut für Weltwirtschaft an der Universität Kiel), 1978. 176 pp. (Kieler Studien, 153.)

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

INTERNATIONAL BUSINESS IN THE PACIFIC BASIN, ed. by R. Hal Mason. Lexington, Mass., Lexington Books, 1978. 213 pp.

JAPANESE EXPORTS TO THE UNITED STATES: ANALYSIS OF "IMPORT-PULL" AND "EXPORT-PUSH" FACTORS, by Wilbur F. Monroe Associates. Washington, United States-Japan Trade Council, 1978. 165 pp. $4.00.

THE LEBANESE WAR: ITS ORIGINS AND POLITICAL DIMENSIONS, by Harald Vocke. N.Y., St. Martin's Press, 1978. 81 pp.

THE LINGERING SHADOW OF NAZISM: THE AUSTRIAN INDEPENDENT PARTY MOVEMENT SINCE 1945, by Max E. Riedlsperger. N.Y., Columbia University Press (for the East European Quarterly, Boulder), 1978. 214 pp. (East European Monographs, XLII.)

MIDDLE EAST CONTEMPORARY SURVEY: VOLUME ONE, 1976-77, ed. by Colin Legum. N.Y., Holmes & Meier Publishers (for the Shiloah Center for Middle Eastern and African Studies, Tel Aviv University), 1978. 784 pp. $65.00.

THE MULTINATIONAL CORPORATION: ITS MANNERS, METHODS AND MYTHS, by Monroe E. Spaght. N.Y., Columbia University Press (for the Carnegie-Mellon University), 1978. 59 pp. (The Benjamin F. Fairless Memorial Lectures.) $6.00.

THE NONALIGNED MOVEMENT IN WORLD POLITICS, ed. by A. W. Singham. Westport, Conn., Lawrence Hill & Co., 1977. 273 pp. $7.95.

NUPI NOTAT. Oslo, Norsk Utenrikspolitisk Institutt, 1978.

148. Ensidige og gjensidige nedrustningstiltak og tillitsskapende tiltak. 26 pp. *149*. Causal analysis in international conflict, by Daniel Heradstveit. 49 pp. *150*. Stumbling blocks to peace, by Daniel Heradstveit. 29 pp. *151*. Tolking av sovjetisk og norsk adferd på Nordflanken i norsk beslutningsmiljø, by Daniel Heradstveit. 3 pp. *152*. Makroøkonomiske emner i u-landsøkonomi, by Arne Jon Isachsen. 2 pp. *153*. Norwegian perceptions of the changing Northern environment: security predicaments, by Anders C. Sjaastad. 25 pp. *154*. Den internasjonale matvare-situasjonen og mulighetene for økt selvberging i u-land: en analyse av Algeries landbrukspolitikk i tiden 1960-1975, by Atle Raa. 21 pp.

OCCASIONAL PAPERS. Muscatine, Iowa, The Stanley Foundation, 1978.

16. Science, technology, and the global equity crisis: new directions for United States policy, by Ward Morehouse. 34 pp. *17*. International stability and North-South relations, by Lincoln Gordon. 35 pp.

OCCASIONAL PAPERS. Washington, Overseas Development Council, 1978.

9. Looking at Guinea-Bissau: a new nation's development strategy, by Denis Goulet. 66 pp. $2.50. *10*. Development as if women mattered: an annotated bibliography with a Third World focus, by May Rihani. 137 pp. $3.00.

OIL COMPANIES IN THE INTERNATIONAL SYSTEM, by Louis Turner. London, George Allen & Unwin (for the Royal Institute of International Affairs), 1978. 240 pp. £8.50.

OMAN IN THE TWENTIETH CENTURY: POLITICAL FOUNDATIONS OF AN EMERGING STATE, by J. E. Peterson. N.Y., Barnes & Noble, 1978. 286 pp. $23.50.

EL ORDEN INTERNATIONAL Y LA DOCTRINA DEL PODER, by Juan Archibaldo Lanús. Buenos Aires, Ediciones Depalma, 1978. 142 pp.

THE PALESTINIANS AND THE MIDDLE EAST CONFLICT, ed. by Gabriel Ben-Dor. Ramat Gan, Israel, Turtledove Publishing, 1978. 575 pp. (An international conference held at the Institute of Middle Eastern Studies, University of Haifa, April 1976.)

PAMPHLETS. Taipei, Asian Peoples' Anti-Communist League, 1978.

210. An analysis of the Chinese Communist tactics of peace talks, by Wang Sheng. 75 pp. $0.70. *211*. The Chinese Communist system of reform through labor, by Cheng Shu-ping. 103 pp. $1.18.

LES PARTIS POLITIQUES EN EUROPE, by Daniel L. Seiler. Paris, Presses Universitaires de France, 1978. 125 pp. (Que sais-je? 1733.)

POLICY PAPERS IN INTERNATIONAL AFFAIRS. Berkeley, Institute of International Studies, University of California, 1978. $2.00 each.

5. Global evangelism rides again: how to protect human rights without really trying, by Ernst B. Haas. 49 pp. *6*. Israel and Jordan: the implications of an adversarial partnership, by Ian Lustick. 36 pp.

THE POLITICAL, ECONOMIC AND LABOR CLIMATE IN PERU, by Nancy R. Johnson. Philadelphia, Industrial Research Unit, The Wharton School, University of Pennsylvania, 1978. 196 pp. (Multinational Industrial Relations Series.)

POLITICS AND GOVERNMENT IN MALAYSIA, by R. S. Milne and Diane K. Mauzy. Vancouver, University of British Columbia Press (for the Institute of Southeast Asian Studies, Singapore), 1978. 406 pp.

POLITICS IN AFRICA, by Dennis Austin. Hanover, N.H., The University Press of New England (for the University of Rhode Island), 1978. 202 pp. $12.50.

THE POPULATION PROBLEM AND THE DEVELOPMENT SOLUTION, by Pan A. Yatopoulos. Stanford, Ca.,

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED

Food Research Institute, Stanford University, 1978. 131 pp. (Food Research Institute Studies, Vol. XVI, No. 1, 1977.) $5.00.

POWER POLITICS, by Martin Wight. Leicester, Leicester University Press (for the Royal Institute of International Affairs), 1978. 317 pp. £7.50.

RACE AND POLITICS IN FIJI, by Robert Norton. N.Y., St. Martin's Press, 1977. 210 pp.

RFF RESEARCH PAPERS. Washington, Resources for the Future, 1978.

R-8. Oil prices and the future of OPEC: the political economy of tension and stability in the Organization of Petroleum Exporting Countries, by Theodore H. Moran. 102 pp. $5.75. *R-10*. International comparisons of energy consumption: proceedings of a workshop sponsored by the Resources for the Future and the Electric Power Research Institute, ed. by Joy Dunkerley. 218 pp. $7.50.

THE SEABED ARMS CONTROL NEGOTIATIONS: A STUDY OF MULTILATERAL ARMS CONTROL CONFERENCE DIPLOMACY, by Bennett Ramberg. Denver, Colo., Graduate School of International Studies, University of Denver, 1978. 135 pp. (Monograph Series in World Affairs, Vol. 15, Book 2.)

SOCIALISM AND POPULISM IN CHILE, 1932-52, by Paul W. Drake. Urbana, Ill., University of Illinois Press, 1978. 418 pp.

SOUTHEAST ASIAN AFFAIRS 1978. Exeter, N. H., Heineman Educational Books (for the Institute of Southeast Asian Studies, Singapore), 1978. 324 pp. $21.50.

SOVIET INFORMATION NETWORKS, by Gayle Durham Hannah. Washington, Center for Strategic and International Studies, Georgetown University, 1977. 80 pp.

SOVIET-TYPE ECONOMIC SYSTEMS: A GUIDE TO INFORMATION SOURCES, by Z. Edward O'Relley. Detroit, Gale Research Co., 1978. 228 pp. (Economics Information Guide Series, 12.)

THE STATE IN EUROPE, ed. by Arthur Cyr. Chicago, The Chicago Council on Foreign Relations, 1977. 118 pp. $1.50.

SÜDAFRIKA: FRIEDLICHER WANDEL? MÖGLICHKEITEN DEMOKRATISCHER KONFLIKTREGELUNG—EINE EMPIRISCHE UNTERSUCHUNG, by Theodor Hanf, Heribert Weiland and Gerda Vierdag. Munich, Kaiser Verlag (for the Wissenschaftliche Kommission des Katholischen Arbeitskreises Entwicklung und Frieden), 1978. 489 pp. (Wissenschaftliche Reihe, 16.)

SUPRA-NATIONALE GEWERKSCHAFTSPOLITIK: ZIELE UND WEGE DER INTERNATIONALEN GEWERKSCHAFTSBEWEGUNG, by Hildegard Waschke. Cologne, Deutscher Instituts-Verlag, 1978. 60 pp. (Beiträge zur Gesellschafts- und Bildungspolitik, 25.) DM. 10.80.

A SYMPOSIUM ON THE ARAB-ISRAELI RELATIONSHIP: WHAT AMERICANS CAN DO, MARCH 16–18, 1978, SEVEN SPRINGS CENTER, MOUNT KISCO, NEW YORK; A REPORT OF THE PROCEEDINGS, by Robert H. Trice, Jr. Mount Kisco, N.Y., Seven Springs Center, 1978. 59 pp.

THE THIRD WORLD WITHOUT SUPERPOWERS: THE COLLECTED DOCUMENTS OF THE NON-ALIGNED COUNTRIES, VOL. I, by Odette Jankowitsch and Karl P. Sauvant. Dobbs Ferry, N.Y., Oceana Publications, 1978. 521 pp.

THE U.N. IN THE CONGO: THE POLITICAL AND CIVILIAN EFFORTS, by Arthur H. House. Washington, University Press of America, 1978. 435 pp.

UNESCO AND THE MEDIA, by Roger Heacock. Geneva, Institut Universitaire de Hautes Études Internationales, 1977. 62 pp. (Études et Travaux, 15.) Sw. Fr. 20.00.

THE UNITED NATIONS IN BANGLADESH, by Thomas W. Oliver. Princeton, Princeton University Press, 1978. 231 pp.

U.S. DEFENSE POLICY: WEAPONS, STRATEGY AND COMMITMENTS. Washington, Congressional Quarterly, 1978. v.p. $5.95.

UNITED STATES FOREIGN POLICY AND THE REPUBLIC OF SOUTH AFRICA, by Daan Prinsloo. Arcadia, Pretoria, Foreign Affairs Association, 1978. 141 pp. (Special Publications, 3.)

VÄRLDSPOLITIKENS DAGSFRÅGOR. Stockholm, Utrikespolitiska Institutet, 1978. Kr. 9.75 each. *1*. Polen, by Immanuel Birnbaum. 28 pp. *2*. Sovjetunionen efter 25: e partikongressen, by Dev Murarka. 27 pp. *3*. Tjeckoslovakien tio år efteråt, by Zdenek Hejzlar. 30 pp. *4*. Underrättelserevolutionen, by Wilhelm Agrell. 36 pp.

WORKING PAPER ON INTERNATIONAL ENERGY SUPPLY: A PERSPECTIVE FROM THE INDUSTRIAL WORLD. N.Y., The Rockefeller Foundation, 1978. 33 pp. (International Policy Studies.)

WORLDWATCH PAPERS. Washington, Worldwatch Institute, 1978. $2.00 each.

22. Disappearing species: the social challenge, by Erik Eckholm. 38 pp. *23*. Repairs, reuse, recycling—first steps toward a sustainable society, by Denis Hayes. 45 pp.

DIE ZENTRALAFRIKANISCHE ZOLL- UND WIRTSCHAFTSUNION: INTEGRATIONSWIRKUNGEN BEI LÄNDERN IM FRÜHSTADIUM DER INDUSTRIELLEN ENTWICKLUNG, by Rolf J. Langhammer. Tübingen, J.C.B. Mohr (for the Institut für Weltwirtschaft an der Universität Kiel), 1978. 268 pp. (Kieler Studien, 151.) DM. 60.00.

ZIELE UND GRENZEN FÜR DIREKTINVESTITIONEN MULTINATIONALER UNTERNEHMEN IN ENTWICKLUNGSLÄNDERN, by Marie Ursula Elkmann-Thieme. Geneva, Institut Universitaire de Hautes Études Internationales, 1978. v.p. (Diplôme No. 158.)

LICENSED TO UNZ.ORG
ELECTRONIC REPRODUCTION PROHIBITED